



CITY OF MORGAN HILL
COMMUNITY DEVELOPMENT DEPARTMENT, PLANNING DIVISION

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PLANNING COMMISSION

TUESDAY, SEPTEMBER 23, 2008

**CITY COUNCIL CHAMBERS
CIVIC CENTER
17555 PEAK AVENUE
MORGAN HILL, CA 95037**

COMMISSIONERS

CHAIR SUSAN KOEPP-BAKER
VICE-CHAIR MIKE R. DAVENPORT
COMMISSIONER H. GENO ACEVEDO
COMMISSIONER ROBERT L. ESCOBAR
COMMISSIONER RALPH J. LYLE
COMMISSIONER JOSEPH H. MUELLER
COMMISSIONER WAYNE TANDA

REGULAR MEETING - 7:00 P.M.

***** A G E N D A *****

NOTICE TO THE PUBLIC

The following policies shall govern the conduct of the Planning Commission meetings:

- *All Planning Commission proceedings are tape-recorded.*
- *Individuals wishing to address the Planning Commission on a particular item should fill out a speaker card and present it to the Secretary. This will assist the Chairperson in hearing your comments at the appropriate time.*
- *When the Chairperson invites you to address the Commission, please state your name and address at the beginning of your remarks.*
- *Speakers will be recognized to offer presentations in the following order:*
 - *Those supporting the application*
 - *Those opposing the application*
 - *Those with general concerns or comments*
 - *Presentations are limited to 5 minutes*

DECLARATION OF POSTING OF AGENDA IN ACCORDANCE WITH
GOVERNMENT CODE SECTION 54954.2 - SECRETARY REPORT

OPEN PUBLIC COMMENT PERIOD (5 MINUTES)

Now is the time for presentation from the public on items **NOT** appearing on the agenda that are within the Planning Commission's jurisdiction. Should your comments require Commission action, your request will be placed on the next appropriate agenda. No Commission discussion or action may be taken until your item appears on a future agenda. You may contact the Planning Division for specific time and dates. This procedure is in compliance with the California Public Meeting Law (Brown Act) G.C. 54950.5. Please limit your comments to five (5) minutes.

CONSENT CALENDAR:

MINUTES: September 9, 2008

PUBLIC HEARINGS:

- 1) **ACCELERATING PREVIOUSLY APPROVED HOUSING PROJECTS:** Discussion of the issues, policies and options addressing the cost of below market rate (BMR) housing and other factors that contribute to the local decline in the production of new homes in previously approved housing projects.

Recommendation: 1.) Consider options to reduce the number of BMRs.
2.) Provide policy recommendations on other measures to reduce the cost of BMRs and accelerate development of previously approved housing projects.

- 2) **DEVELOPMENT AGREEMENT AMENDMENT, DAA-05-13C/DEVELOPMENT SCHEDULE AMENDMENT, DSA-07-08A: JARVIS-SOUTH VALLEY DEVELOPERS:** A request for approval to amend the development schedule and development agreement for 60 townhomes in the Madrone Plaza project to extend the deadline for obtaining building permits and commencing construction by one year and to modify commitments regarding below market rate units. The project site is approximately nine acres in size and is located at the southeast corner of Cochrane Rd. and Monterey Rd. in an R3 (PUD) zoning district. (APN 726-25-076)

Recommendation: Open Public Hearing/Adopt Resolution with recommendation to forward Development Agreement Amendment to the City Council for approval/ Adopt Resolution approving the Development Schedule Amendment.

ANNOUNCEMENTS: None

UPCOMING AGENDA ITEMS FOR THE OCTOBER 14, 2008 MEETING:

- DS-08-04: Taylor-Murray
- DAA-04-08D: Tilton-Glenrock
- DSA-07-06C: -Tilton-Glenrock
- UP-08-10: Depot-City of Morgan Hill/Parking Lot (Advisory)
- Multi-Family Vacancy Rate Report

CITY COUNCIL REPORTS

ADJOURNMENT

SPEAKER CARD

IN ACCORDANCE WITH GOVERNMENT CODE 54953.3, IT IS NOT A REQUIREMENT TO FILL OUT A SPEAKER CARD IN ORDER TO SPEAK TO THE PLANNING COMMISSION. HOWEVER, it is very helpful to the Commission if you would fill out the Speaker Card that is available on the counter in the Council Chambers. Please fill out the card and return it to the Deputy City Clerk. As your name is called by the Chairperson, please walk to the podium and speak directly into the microphone. Clearly state your name and address and proceed to comment upon the agenda item. Please limit your remarks to three (3) minutes.

NOTICE
AMERICANS WITH DISABILITY ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

If assistance is needed regarding any item appearing on the Planning Commission agenda, please contact the Office of the City Clerk at City Hall, 17555 Peak Avenue or call 779-7259 or Hearing Impaired only - TDD 776-7381 to request accommodation.

NOTICE

NOTICE IS GIVEN pursuant to Government Code Section 65009, that any challenge of any of the above agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the Planning Commission at, or prior to the Public Hearing on these matters.

NOTICE

The time within which judicial review must be sought of the action taken by the Planning Commission which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.

NOTICE

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act that are distributed to a majority of the Planning Commission less than 72 hours prior to an open session, will be made available for public inspection at the Office of the City Clerk at Morgan Hill City Hall located at 17555 Peak Avenue, Morgan Hill, CA, 95037 at the same time that the public records are distributed or made available to the Planning Commission. (Pursuant to Government Code 54957.5)



AGENDA ITEM
NO. 1

MEMORANDUM

To: PLANNING COMMISSION

Date: September 23, 2008

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: ACCELERATING PREVIOUSLY APPROVED HOUSING PROJECTS

REQUEST

A review of the issues, policies and options addressing the cost of below market rate (BMR) housing and other factors that contribute to the slowdown in the production of new homes in previously approved housing projects. This is a follow-up report to the workshop and discussion at the September 9, 2008 Planning Commission meeting.

RECOMMENDATION

- 1.) Consider options to reduce the number of BMRs.
- 2.) Provide policy recommendations on other measures to reduce the cost of BMRs and accelerate development of previously approved housing projects.

BACKGROUND

On September 9, 2008, the Planning Commission conducted a workshop and regular agenda discussion addressing ways of accelerating previously approved housing projects. The downturn in the housing market is a significant factor and because of the decline in the price of new homes, builders are finding it difficult to subsidize the cost of below market rate (BMR) units through the pricing of market rate units. Without the ability to reduce costs, including cost of BMRs, homebuilders are finding it difficult to obtain construction financing. This report is a response to the information requested by Commissioners at the September 9 meeting and provides options to reduce the number of BMR units plus options to reduce homebuilder costs. The Commission also requested information on programs to provide buyer assistance. The first part of this report lists the housing data requested and/or reference to the exhibit providing the data. The second part of this report will address the issues for consideration in order to formulate recommendations to the City Council.

Housing Information Requested

1. Revised Exhibit E from the August 27, 2008 City Council Report on this topic.

Staff has revised this spread sheet as attached Exhibit A, showing the number of committed, but not built BMR units. The total number of BMR units is 47 through FY 2009-10.

2. Report on progress in reaching Housing Element Goals.
3. If the Commission recommends lowering the BMR requirement, how does this affect our ability to achieve our RHNA numbers for low and median units through 2014? Different scenarios will need to be considered. See next item.

Staff has prepared PowerPoint presentation showing our Housing Element accomplishment meeting our Regional Housing Needs Allotment (RHNA) through 2006 and the number of units that would be provided and net balances through 2014 based on current RDCS market rate and BMR commitments. The two PowerPoint slides are attached as Exhibits B and C.

4. Provide the above numbers using the following options:
 - 2% low & 4% median
 - 4% low & 4% median
 - 5% low & 2% median
 - Other option the Council may have considered previously.

Staff has prepared the attached table labeled Exhibit D, identifying the number of low and median BMR units that would be provided by each project under each scenario. A summary of each scenario is also attached.

5. How does the change in Loan to Value Ratios (LTV) from 80% LTV to 66% affect the homebuilder's ability to obtain financing and start construction?

Staff contacted a senior member of a Equity/Capital Lending Firm and was advised that on a high level, the homebuilders are correct, everyone is cutting back LTV and depending on the bank, some lenders are cutting back to under 60% if they are still lending on land or for single-family residential development at all. The other major issue is that jumbo loans, loans in excess of \$725,000, often used to purchase homes at the higher end of the market, are no longer available.

According to a local builder, the loan to value issue does not affect land price, sales price or anything but the amount of front-end equity (cash) that a builder has to put-up in order to obtain a loan, so that the sum of both the loan and the front-end equity covers the estimated cost of building the project, including the expected interest to be paid on the loan. When the front-end equity is too great, then builders cannot start a project or a current phase....even if they can reasonably project a small profit.

As the sales prices have declined, and the time to sell homes increased dramatically, the interest carry has increased and the profit potential has decreased to the point where builders are now all experience losses, not profits. The higher project costs and the lower sales prices should be reflected in a significant decrease in land values, and over time, they will....except in a number of cases in Morgan Hill where there is limited land, even more limited allocations, and families who have had the land for a generation or more, who are inclined to wait with the expectation that we are just in a down cycle that will self correct in a year or two.

6. If we make short-term concessions in the number of BMR units, what commitments are homebuilders willing to make in exchange, for example, build it green.

Homebuilders are willing to incorporate green building standards in exchange for the reduced number of BMR units. Builders consider this an upgrade that will improve the marketability of their product.

7. Provide an inventory of completed homes/what is the percentage of unsold homes and percent of homes under construction.

The attached Exhibit E lists all current on-going residential developments in Morgan Hill and the number of completed units that are available for sale. The Exhibit also identifies the number of units that are expected to be available in the next few weeks or months. Twenty-two completed homes are available for sale in eight residential developments. Attached Exhibit F lists all other units under construction. As of September 18, in addition to the 22 completed units for sale, 125 additional units are under construction.

The percentage of unsold homes as a percent of homes completed or under construction is 15%. Not counting the FY 2009-10 allotment, only 39% of the homes originally allocated through the current fiscal year are under construction.

8. Consider reducing the Standard Housing Mitigation Fee and provide recommended dollar amount.

Staff has reviewed the in-lieu housing mitigation fee of \$150,000 per unit and has developed the following options for consideration based on the goal of facilitating residential development:

- 1) Reduce the fee by a percentage equivalent to the reduction in BMR requirements. For example, under the 4% median and 2% low scenario, the BMR requirement is reduced by 50%, thus, the in-lieu fee would be reduced by 50% from \$150,000 per unit to \$75,000.
- 2) Adjust the fee to reflect the housing type. Since it is more costly to the City to replace BMR low-income units and, under the RDCS system, a developer receives more points for providing more low-income units, the largest single-family unit would pay the highest housing in-lieu fee. For the other unit types, we reduced the fee by \$10,000. The fee for med/mod is slightly reduced because developers received less points under the RDCS for

more med/mod units and, theoretically, it takes less funding by the City to replace a med/mod unit.

Standard In-Lieu Housing Mitigation Fee

	<i>R-3 condos</i>	<i>R2 and R3 townhouse units</i>	<i>R2 SFD and R1 7000</i>	<i>R1 9000 and above</i>
Low	\$100,000	130,000	140,000	150,000
med/mod	\$90,000	100,000	110,000	120,000

9. Of the 888 units shown in the current ‘backlog’, how many of those units will be units in the downtown, senior housing units, or other smaller household sizes that presumably would have less impact on school enrollment.

Of the 888 units allocated, but not built, 386 of these units are in the downtown, 89 of the units are for seniors and 209 of these units are 1 and 2 bedroom units. For our population projections, Planning assigned 2.34 persons per household in the Downtown for 1 and 2 bedroom units and 1.6 persons per household in senior housing.

10. Ask the School District to allow school impact fees to be deferred until close of escrow and what would be the impact on the School District.

The City Manager asked the School District Superintendent to consider allowing deferral of school impact fees. The District has not replied. The City Council and School Board have a liaison committee meeting early next month and staff will recommend this be an item for discussion at the October meeting.

11. Allow other Measure C and City fees to be deferred to close of escrow. What would be the impact on the City?

The impact on the City of deferring RDCS and city impact fees to the close of escrow will vary depending on the fee. At a minimum, the City would lose interest on the deferral of fees. In some cases, some public improvement and/or maintenance projects could be delayed as fees would be paid later. An extreme circumstance would be that the City’s general fund could be impacted as it would need to draw down fund balance to pay for bonded indebtedness normally paid for by impact fees. While the impact fees when collected would reimburse the General Fund, the General Fund would lose interest during that time frame. To illustrate this impact, if a fee normally due at building permit were deferred to close of escrow 12 months later, the City would lose \$4,000 in interest on every \$100,000 of fees deferred, based on an average Local Agency Investment Fund (LAIF) rate of 4%. That’s \$40,000 in lost interest for every \$1,000,000 deferred over 12 months.

12. Consider having the RDA provide equity sharing or other down payment assistance to new homebuyers. This will help to increase the pool of potential homebuyers.

Staff agrees that Down payment Assistance Programs are an excellent tool for expanding the pool of homebuyers. The City Council directed staff on April 30, 2008 to explore development of a citywide down payment assistance program based on a pilot city employee program. The Council's Community and Economic Development Committee on September 3, 2008 reviewed an example of a down payment assistance program with an equity share component. Staff is refining a formal proposal that addresses comments from the Committee.

13. Provide data on prices of new, production homes over time and provide a measure, such as the percent change in number of new homes sales each year from 2005 or 2006 to present and use this measure to base the market recovery and return to original BMR commitments.

Staff contacted the Homebuilders Association (HBA) and Lenders to determine if there is a way to measure when the housing market has recovered. We were told that there is no way to determine when the market will recover. Structural problems in the lending industry and in the overall economy will need to be corrected before we see any recovery. According to the HBA, the market reached a peak between April and October 2005. The run-up in home prices in 2006 and 2007 was due largely to lower standards for buyers to obtain mortgages thru the subprime market. Attached is a 5 Year Summary and 20 Year Summary through 2007 showing the average change in home prices in the Morgan Hill/Gilroy Market and a Facts and Trends report showing the number of homes for sale and sold in the Morgan Hill zip code over the past year.

Issues for Consideration/Commission Recommendations

As noted in the attached PowerPoint Slides, the recommendations of the Planning Commission should consider:

- Goals for the City
- Types of Assistance
- Project Eligibility
- Applicable Time Period / Duration
- Applicable Trigger for Assistance
- Measurable Outcomes

The immediate goals for the City are to address the underlying issues that keep approved housing projects from moving forward. The primary means to accomplish this is to lower the cost to produce market rate and BMR housing. This can be accomplished by deferring certain fees from issuance of building permits to close of escrow, lowering the gap between the cost of a BMR and sales price of a BMR, and by reducing the number of BMR units. The City can provide assistance by expanding the Down Payment Assistance Program and by purchasing unsold BMR unit from Homebuilders to reduce carrying costs.

In terms of project eligibility, it was the consensus of Planning Commission at the September 9 meeting that the assistance the City agrees to provide to homebuilders should be limited to project awarded a building allotment through Fiscal Year.2009-10. However, the assistance should only apply to that portion of those allocated units that are currently being built. Homebuilders will not be allowed to “front load” their entire BMR commitment, including units not scheduled to be built until FY 2009-10.

As for the applicable time period / duration, it was the consensus of the Commission at the last meeting to allow a reduced BMR commitment and other assistance to homebuilders for a one-year period and a possible extension into a second year if the market has not recovered. Staff recommends allowing a lower BMR commitment to extend for a two-year period with a checkpoint at one year.

There are no specific measureable outcomes other than the resumption of new home construction in previously approved projects.

RECOMMENDATION

- 1.) Consider options in the attached Exhibit D to reduce the number of BMRs.
- 2.) Selection one option as a recommendation to the City Council.
- 3.) Provide policy recommendations on other measures to reduce the cost of BMRs and accelerate development of previously approved housing projects.

Attachments:

1. September 9 Report
2. Exhibit A – Approved Projects with Future BMR Commitments
3. Exhibit B – Housing Element Goal 2006 RHNA Accomplishments
4. Exhibit C - Net RHNA Balances through 2014 based on Current Market Rate & BMR Commitments
5. Exhibit D – Options for Reducing the Number of BMR Units
6. Exhibit E – Number of Available New Homes for Sale
7. Exhibit F – List of All New Homes Under Construction
8. Exhibit G – Current BMR Unit Pricing and Income Figures (info only)



MEMORANDUM

To: PLANNING COMMISSION

Date: September 9, 2008

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: ACCELERATING PREVIOUSLY APPROVED HOUSING PROJECTS

REQUEST

A workshop on the issues, policies and options addressing the cost of below market rate (BMR) housing and other factors that contribute to the slowdown in the production of new homes in previously approved housing projects. The discussion will also include a review of the process for granting extensions of time. This item will also be discussed under the regular agenda as agenda item #3.

RECOMMENDATION

Discussion. The Planning Commission can elect to receive public comment at the September 9 workshop. A public hearing, scheduled for the September 23 meeting, will be an opportunity for public to provide comment on this matter.

BACKGROUND

At their August 27, 2008 meeting, the City Council considered a report from the City Manager on the underlying issues that keep approved housing projects from moving forward. The downturn in the housing market is a significant factor and because of the decline in the price of new homes, builders are finding it difficult to subsidize the cost of below market rate (BMR) units through the pricing of market rate units. After lengthy discussion, the Council voted to refer this item to the Planning Commission for recommendations. Per the Council's direction, City Staff has brought this to the Planning Commission, first as a workshop and then as a public hearing item on September 23. The Commission will vote on its recommendation at the September 23, 2008 Planning Commission meeting. The City Council has tentatively scheduled a workshop to receive the Commission's recommendations on Tuesday, October 7, 2008.

The purpose of the workshop is for the Commission to consider and recommend several options to address the cost of BMRs as well as other options to address the cost of housing production. One approach would be to defer the payment of all fees, including school impact fees if the School District agrees to close of escrow. This would reduce the financing cost to the homebuilder on all of the units, including market rate units. Another approach to close the gap on the cost of BMRs would be for the City's Redevelopment Agency to pay the Measure C fees other fee related costs for the BMRs. Homebuilders who spoke at the August 27 Council meeting would like the Commission and City Council to consider a 50 percent reduction in the number of committed BMR units in each development. Specifically, the 5 percent low and 8 percent median BMR commitment would be reduced to a 2 percent low and 4 percent median BMR commitment. The two and four percent BMR commitment would remain in effect for a two-year period or for a lesser period if new home prices return to 2006 levels. Another approach would be to consider a combination of the above and a lower percent reduction in BMRs. The workshop on September 9 will include a review of the policy options outlined in the attached Council memorandum.

Procedures for Approving Extensions of Time

In addition to the discussion on ways to accelerate the start of new home construction in approved housing projects, the Council would like the Commission to review the current process for granting exceptions to loss of building allocations and amending development schedules and development agreements. Under the current procedures, the Planning Commission approves a Development Schedule for each project with deadlines to submit for subdivision map, development agreement, zoning amendment approvals and deadlines to file a final map and apply for building permit. Each project's Development Agreement also has a deadline to commence construction. The progress of previously approved projects is monitored on a quarterly basis in a report to the Planning Commission and City Council. When projects are reported as behind schedule, staff notifies the developer in writing. Upon notification, if the developer determines that the project can no longer proceed according the approved development schedule, an application is filed to request either an exception to loss of building allocation (ELBA) or a request to amend the project development schedule (DSA) and development agreement (DAA). The ELBA or DSA/DAA may be granted if the cause for the lack of commencement was the City's failure to grant a building permit for the project due to an emergency situation, such as a sewer moratorium, or extended delays in environmental reviews, delays not the result of developer inaction, or allotment appeals processing. While not technically a reason for granting an ELBA or DSA/DAA, the City Council has determined that the inability to obtain construction financing as a delay not due to developer inaction.

As part of the application for an ELBA or Development Schedule Amendment (DSA), the City Council is requesting more data and documentation to justify the time extensions being requested by developers. For example, if the delay is due the inability to obtain construction financing or because of the loss of financing, a letter from the bank or lender needs to be included with the applicant's written request. If the Water District is the cause of the delay, the applicant will need to obtain a letter from the Water District giving the reasons why their approval is being withheld.

When recommending an ELBA or approving a DSA, the Council would like staff and the Commission to consider shorter, more reasonable periods on the extensions, as opposed to the periods requested by the applicant. We should also be asking the applicant to explain how the public would benefit if the extension is granted. The Council will be expecting better justification and documentation from the homebuilders before approving future extensions of time.

Quarterly Review Monitoring

As part of the Quarterly Review process, the Council would like staff and the Commission to consider alternatives that would keep the project on schedule if the delay were due actions other than financing. For example, the recent Ginger-Walton project was delayed because the applicant was trying to obtain street right-of-way from a third party. In lieu of the committed right-of-way acquisition and improvements, the Commission should consider allowing the developer to complete the same level of street improvements in another location where right-of-way acquisition is not required, eliminating the source of the delay.

Attachments:

August 27, 2008 Council Report with Attachments.

R:\PLANNING\WP51\RDCS\MC\September 9 Workshop Memo.doc

Approved Projects with Future BMR Commitments/Obligations

Exhibit A																										
DATE APPROVED	RDCS #	DEVELOPMENT	SUBDIVISION	ALLOCATION FY YEAR	TOTAL UNITS	TOTAL BMRS	BMR's PROVIDED		BMR's OWED		Bedroom LOW PROVIDED		Bedroom MEDIAN PROVIDED				Bedroom LOW OWED				Bedroom MEDIAN OWED				TOTALS	
							LOW	MEDIAN	LOW	MEDIAN	3BR	4BR	1BR	2BR	3BR	4BR	1BR	2BR	3BR	4BR	1BR	2BR	3BR	4BR		
3/24/2006	MC-04-27	Wright-Dividend/Manana	Mallorca	06-07, 07-08	15	2	0	0	1	1																
7/1/2005	MP-02-03/MP-01-04	Capriano/Shea/Tilton-GlenrockCapriano	Capriano	06-07, 07-08, 08-09	161	21	15	0	6	0			9				6		6							
8/18/2005	MP-02-06/MC-04-12	E. Dunne-Dempsey/Delco	Jasper Park	05-06, 06-07, 07-08, 08-09	82	11	2	3	2	4			2				3				2					
2/7/2006	MP-02-22/MC04-13	Barret-Odishoo-Villas @ San Marcos	Villas of San Marcos	05-06, 06-07, 07-08, 08-09	36	5	2	1	0	2			2				1							2	2	
2/23/2006	MC-04-14	Central-Delco/HU - Viento	Viento	06-07, 07-08, 08-09	39	6	1	1	1	3			1				1				1				3	
9/20/2000	MC-04-15	Church Alcini	Rancho del Pueblo	06-07	14	1	0	0	1	0									1						1	
9/14/2006	MC-04-19	E. Main-Thrust/San Savigno	San Savigno	06-07, 07-08, 08-09	27	5	0	0	2	3										2					5	
12/19/2006	MC-04-21	Barrett-Syncon Homes	Rose Garden	07-08, 08-09, 09-10	32	4	0	1	2	1							1			2					3	
10/10/2006	MP-05-02	Jarvis-South County Housing	Madrone Plaza	07-08, 08-09	95	66	0	0	36	30										2					1	
10/10/2006	MC-04-22	Jarvis-South Valley Developers	Madrone Plaza	06-07, 07-08, 08-09, 09-10	78	10	0	0	4	6									2	1	1			1	10	
9/27/2008	MP-02-12/MC04-25	Cochrane/Peet-Lupine/Alicante 2004 Inc.	Alicante Estates	04-05, 05-06, 06-07	92	10	6	0	1	3			6								1				3	
9/27/2004	MC-04-26	Mission view/Cochrane-Mission Ranch	Mission Ranch	06-07, 07-08, 08-09	48	6	1	1	2	2			1				1				2				2	
					719	147	27	7	58	55			21				13	2	7	2	11	1	3	2	19	
			TOTALS FOR ALL UNITS																							
			Total Allocated Units	719					624	95																
			Total Allocated BMRs	147					81	66																
			Total Provided Lows	27					27	0																
			Total Provided Medians	7					7	0																
			Total Owed Lows	58					22	36																
			Total Owed Medians	55					25	30																

#1

Regional Housing Needs Allocation and Production 1999-2006

	Very Low Income	Low Income	Moderate Income	Above Moderate (Market)	Total	Comment
1999-2006 RHNA	455	228	615	1,186	2,484	
Units Produced	405	390	222	1,511	2,528	
Net Surplus/ Deficit	-50	+162	-393	+325		
2006 HCD Housing Element Adjustment	-50	0	-231	+325	+44 Above RHNA Total	Surplus Low Income Units Credited to Moderate

2007-2014 Regional Housing Needs Allocation & Current Production

	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Above Moderate (Market)	Total	Comment
2007-2014 RHNA	158	159	249	246	500	1,312	New ELI Category
RDCS Allocations (No Downtown)	17	37	67	130	262	513	Thru FY 2009- 2010
March 2007 Balance	-141	-122	-182	-116	-238	-799	
Downtown RDCS Allocations		89 (Senior Apts.)		297			+ 77 units available in Measure F
Net Balances	-141	-33	-182	+175	-238		

Approved Projects with Future BMR Commitments/Obligations

[illegible]

#2

Approved Projects with Future BMR Commitments/Obligations

[illegible]

Approved Projects with Future BMR Commitments/Obligations

[illegible]

Approved Projects with Future BMR Commitments/Obligations

[illegible]

#5

Comparison of Scenarios

Scenarios	1		2		3		4	
	5% Low	0% Median	2% Low	4% Median	5% Low	2% Median	4% Low	4% Median
Scenario Total	22	0	8	9	22	1	9	9
Totals Units to be Constructed	22		17		23		18	
In-Lieu	0		7		5.6		12	

Exhibit E

The number of homes available for sale 9/18/08:

Madrone Plaza (Schilling):	0 available	2 are completed but are used as models; 16 will be completed in approx. 4-5 weeks.
Madrone Plaza (So.Co.Hg):	0 available	1 completed but used as model. 17 to be completed in approx. 4-5 weeks
Villas of San Marcos:	0 available	11 were sold, 7 have been retained by developer as rental
Barrett Place:	0 available	2 under construction, 3-4 months to finish.
Pear Dr:	4 available	
Mission Ranch:	1 available	(+1 BMR in escrow)
Alicante:	6 available	(2 are BMRs)
Alicante Ranch:	2 available	
Viento:	1 available	6 under construction 8-12 weeks till completed
Lone Oak Ranch:	6 available	
Central Park	1 available	
Quail Creek	1 available	
Total	<u>22</u>	

Exhibit F

Outstanding Residential Units (Issued / Not Finaled as of 9-18-08)

Issue Date	Street #	Street Name	Building Permit #	Subdivision	Type
9/30/2005	16325	Saint John Ct	2007-00784	Barrett Place	DSFD
8/2/2007	16370	Saint John Ct	2007-00275	Barrett Place	DSFD
4/30/2007	16380	Saint John Ct	2006-00452	Barrett Place	DSFD
11/3/2006	660	Saint Timothy Pl	2006-00316	Villas of San Marcos	DSFD
8/27/2007	689	Barrett Ave	2007-00837	Lone Oak Farms	DSFD
8/27/2007	697	Barrett Ave	2007-00839	Lone Oak Farms	DSFD
8/27/2007	718	San Gabriel Ave	2007-00840	Lone Oak Farms	DSFD
8/27/2007	714	San Gabriel Ave	2007-00841	Lone Oak Farms	DSFD
8/27/2007	710	San Gabriel Ave	2007-00842	Lone Oak Farms	DSFD
8/27/2007	706	San Gabriel Ave	2007-00843	Lone Oak Farms	DSFD
6/12/2007	430	Calle Viento	2006-00714	Viento	MASFD
6/12/2007	345	Calle Viento	2006-00723	Viento	MASFD
6/12/2007	335	Calle Viento	2007-00724	Viento	DSFD
5/23/2006	1900	Pear Dr	2006-00115	Pear Tree Estates	DSFD
5/23/2006	1910	Pear Dr	2006-00116	Pear Tree Estates	DSFD
5/23/2006	1925	Pear Dr	2006-00117	Pear Tree Estates	DSFD
5/23/2006	1945	Pear Dr	2006-00118	Pear Tree Estates	DSFD
5/23/2006	1965	Pear Dr	2006-00119	Pear Tree Estates	DSFD
5/23/2006	1985	Pear Dr	2006-00120	Pear Tree Estates	DSFD
9/11/2006	17380	Jean Ct	2006-00337	Pear Tree Estates	DSFD
9/11/2006	17382	Jean Ct	2006-00336	Pear Tree Estates	DSFD
9/11/2006	17384	Jean Ct	2006-00335	Pear Tree Estates	DSFD
11/6/2007	18447	Butterfield Blvd	2007-00291	Madrone Plaza East	DSFD
11/6/2007	18443	Butterfield Blvd	2007-00292	Madrone Plaza East	DSFD
11/6/2007	18439	Butterfield Blvd	2007-00293	Madrone Plaza East	DSFD
11/6/2007	18435	Butterfield Blvd	2007-00294	Madrone Plaza East	DSFD
11/6/2007	18431	Butterfield Blvd	2007-00295	Madrone Plaza East	DSFD
11/6/2007	18427	Butterfield Blvd	2007-00296	Madrone Plaza East	DSFD
11/6/2007	18423	Butterfield Blvd	2007-00297	Madrone Plaza East	DSFD
11/6/2007	18419	Butterfield Blvd	2007-00298	Madrone Plaza East	DSFD
11/6/2007	18455	Opal Ln	2007-00316	Madrone Plaza East	DSFD
12/5/2007	18409	Opal Ln	2007-00646	Madrone Plaza East	ASFD
12/7/2007	18413	Opal Ln	2007-00647	Madrone Plaza East	ASFD
12/7/2007	18417	Opal Ln	2007-00648	Madrone Plaza East	ASFD
12/7/2007	18421	Opal Ln	2007-00649	Madrone Plaza East	ASFD
12/7/2007	18425	Opal Ln	2007-00650	Madrone Plaza East	ASFD
12/7/2007	18429	Opal Ln	2007-00651	Madrone Plaza East	ASFD
12/7/2007	18433	Opal Ln	2007-00652	Madrone Plaza East	ASFD
12/7/2007	18437	Opal Ln	2007-00653	Madrone Plaza East	ASFD
12/7/2007	18441	Opal Ln	2007-00654	Madrone Plaza East	ASFD
12/7/2007	18445	Opal Ln	2007-00655	Madrone Plaza East	ASFD
12/7/2007	18444	Jade Ln	2007-00656	Madrone Plaza East	ASFD
12/7/2007	18440	Jade Ln	2007-00657	Madrone Plaza East	ASFD
12/7/2007	18436	Jade Ln	2007-00658	Madrone Plaza East	ASFD

Issue Date	Street #	Street Name	Building Permit #	Subdivision	Type
12/7/2007	18432	Jade Ln	2007-00659	Madrone Plaza East	ASFD
12/7/2007	18428	Jade Ln	2007-00660	Madrone Plaza East	ASFD
12/7/2007	18424	Jade Ln	2007-00661	Madrone Plaza East	ASFD
12/7/2007	18420	Jade Ln	2007-00662	Madrone Plaza East	ASFD
12/7/2007	18416	Jade Ln	2007-00663	Madrone Plaza East	ASFD
12/7/2007	18412	Jade Ln	2007-00664	Madrone Plaza East	ASFD
12/7/2007	18408	Jade Ln	2007-00665	Madrone Plaza East	ASFD
12/7/2007	18407	Jade Ln	2007-00666	Madrone Plaza East	ASFD
12/7/2007	18411	Jade Ln	2007-00667	Madrone Plaza East	ASFD
12/7/2007	18415	Jade Ln	2007-00668	Madrone Plaza East	ASFD
12/7/2007	18419	Jade Ln	2007-00669	Madrone Plaza East	ASFD
12/7/2007	18423	Jade Ln	2007-00670	Madrone Plaza East	ASFD
12/7/2007	18427	Jade Ln	2007-00671	Madrone Plaza East	ASFD
12/7/2007	18431	Jade Ln	2007-00672	Madrone Plaza East	ASFD
12/7/2007	18435	Jade Ln	2007-00673	Madrone Plaza East	ASFD
12/7/2007	18439	Jade Ln	2007-00674	Madrone Plaza East	ASFD
12/7/2007	18443	Jade Ln	2007-00675	Madrone Plaza East	ASFD
12/7/2007	18442	Ruby Ln	2007-00676	Madrone Plaza East	ASFD
12/7/2007	18438	Ruby Ln	2007-00677	Madrone Plaza East	ASFD
12/7/2007	18434	Ruby Ln	2007-00678	Madrone Plaza East	ASFD
12/7/2007	18430	Ruby Ln	2007-00679	Madrone Plaza East	ASFD
12/7/2007	18426	Ruby Ln	2007-00680	Madrone Plaza East	ASFD
6/27/2008	18422	Ruby Ln	2007-00681	Madrone Plaza East	ASFD
6/27/2008	18418	Ruby Ln	2007-00682	Madrone Plaza East	ASFD
6/27/2008	18414	Ruby Ln	2007-00683	Madrone Plaza East	ASFD
6/27/2008	18410	Ruby Ln	2007-00684	Madrone Plaza East	ASFD
6/27/2008	18406	Ruby Ln	2007-00685	Madrone Plaza East	ASFD
6/27/2008	18405	Ruby Ln	2007-00686	Madrone Plaza East	ASFD
6/27/2008	18409	Ruby Ln	2007-00687	Madrone Plaza East	ASFD
6/27/2008	18413	Ruby Ln	2007-00688	Madrone Plaza East	ASFD
6/27/2008	18417	Ruby Ln	2007-00689	Madrone Plaza East	ASFD
6/27/2008	18421	Ruby Ln	2007-00690	Madrone Plaza East	ASFD
6/27/2008	18425	Ruby Ln	2007-00691	Madrone Plaza East	ASFD
6/27/2008	18429	Ruby Ln	2007-00692	Madrone Plaza East	ASFD
6/27/2008	18433	Ruby Ln	2007-00693	Madrone Plaza East	ASFD
6/27/2008	18437	Ruby Ln	2007-00694	Madrone Plaza East	ASFD
6/27/2008	18441	Ruby Ln	2007-00695	Madrone Plaza East	ASFD
6/27/2008	18440	Emerald Ln	2007-00696	Madrone Plaza East	ASFD
6/27/2008	18436	Emerald Ln	2007-00697	Madrone Plaza East	ASFD
6/27/2008	18432	Emerald Ln	2007-00698	Madrone Plaza East	ASFD
6/27/2008	18428	Emerald Ln	2007-00699	Madrone Plaza East	ASFD
6/27/2008	18424	Emerald Ln	2007-00700	Madrone Plaza East	ASFD
6/27/2008	18416	Emerald Ln	2007-00701	Madrone Plaza East	ASFD
6/27/2008	18412	Emerald Ln	2007-00702	Madrone Plaza East	ASFD
6/27/2008	18408	Emerald Ln	2007-00703	Madrone Plaza East	ASFD
6/27/2008	18404	Emerald Ln	2007-00704	Madrone Plaza East	ASFD

Issue Date	Street #	Street Name	Building Permit #	Subdivision	Type
8/4/2008	239	Jarvis Dr	2007-00705	Madrone Plaza East	ASFD
8/4/2008	235	Jarvis Dr	2007-00706	Madrone Plaza East	ASFD
8/4/2008	231	Jarvis Dr	2007-00707	Madrone Plaza East	ASFD
8/4/2008	227	Jarvis Dr	2007-00708	Madrone Plaza East	ASFD
8/4/2008	223	Jarvis Dr	2007-00709	Madrone Plaza East	ASFD
8/4/2008	219	Jarvis Dr	2007-00710	Madrone Plaza East	ASFD
8/4/2008	215	Jarvis Dr	2007-00711	Madrone Plaza East	ASFD
8/4/2008	211	Jarvis Dr	2007-00712	Madrone Plaza East	ASFD
8/4/2008	207	Jarvis Dr	2007-00713	Madrone Plaza East	ASFD
8/4/2008	203	Jarvis Dr	2007-00714	Madrone Plaza East	ASFD
10/15/2007	154	Cochrane Blvd	2006-01030	Madrone Plaza West	ASFD
10/15/2007	160	Cochrane Blvd	2006-01031	Madrone Plaza West	ASFD
10/15/2007	156	Cochrane Blvd	2006-01032	Madrone Plaza West	ASFD
10/15/2007	18558	Garnet Ln	2007-00560	Madrone Plaza West	ASFD
10/15/2007	18554	Garnet Ln	2007-00561	Madrone Plaza West	ASFD
10/15/2007	18550	Garnet Ln	2007-00562	Madrone Plaza West	ASFD
10/15/2007	18552	Poppy Jasper	2007-00563	Madrone Plaza West	ASFD
10/15/2007	18548	Poppy Jasper	2007-00564	Madrone Plaza West	ASFD
10/15/2007	18544	Poppy Jasper	2007-00565	Madrone Plaza West	ASFD
10/15/2007	18540	Poppy Jasper	2007-00566	Madrone Plaza West	ASFD
10/15/2007	18536	Poppy Jasper	2007-00567	Madrone Plaza West	ASFD
10/15/2007	18532	Poppy Jasper	2007-00568	Madrone Plaza West	ASFD
10/15/2007	18528	Poppy Jasper	2007-00569	Madrone Plaza West	ASFD
10/15/2007	18524	Poppy Jasper	2007-00570	Madrone Plaza West	ASFD
10/15/2007	18520	Poppy Jasper	2007-00571	Madrone Plaza West	ASFD
10/15/2007	18516	Poppy Jasper	2007-00572	Madrone Plaza West	ASFD
7/19/2007	18220	San Carlos Pl	2006-01086	Mission Ranch	DSFD
7/17/2007	18235	San Carlos Pl	2006-01090	Mission Ranch	DSFD
3/8/2007	18600	Arguello Ave	2006-00475	Alicante	MASFD
3/8/2007	1625	Mission Avenida	2006-00478	Alicante	DSFD
3/13/2007	1655	Mission Avenida	2006-00480	Alicante	DSFD
3/15/2007	1685	Mission Avenida	2006-00483	Alicante	DSFD
3/15/2007	18500	Altimira Circle	2006-00484	Alicante	DSFD
3/15/2007	1670	Mission Avenida	2006-00486	Alicante	MASFD
9/10/2007	470	San Pedro Ave	2006-01130	San Pedro-Ahmadi	DSFD
Total Units					125



Effective July 1, 2008

Exhibit G

BELOW MARKET RATE (BMR) UNITS FOR SALE
REVISED UNIT PRICING AND INCOME FIGURES

Below are the sale prices for BMR units.

07-01-08	
Lower Income Units	
Size	BMR SALES PRICE
3 Bdrm	\$264,000
4 Bdrm	\$283,500
Median Income Units	
Size	BMR SALES PRICE
3 Bdrm	\$335,500
4 Bdrm	\$361,500
Moderate Income Units	
Size	BMR SALES PRICE
3 Bdrm	\$407,500
4 Bdrm	\$439,000

TABLE I

# of Persons:	1	2	3	4	5
Lower:	\$37,151 - \$59,400	\$42,451 - \$67,900	\$47,751 - \$76,400	\$53,051 - \$84,900	\$57,301 - \$91,650
Median:	\$59,401 - \$73,900	\$67,901 - \$84,400	\$76,401 - \$95,000	\$84,901 - \$105,500	\$91,651 - \$113,900
Moderate:	\$73,901 - \$88,600	\$84,401 - \$101,300	\$95,001 - \$136,900	\$105,501 - \$126,600	\$113,901 - \$136,700

NOTICE: THIS BMR PRICE LIST MAY BE REVISED WITHOUT PRIOR NOTICE

5 YEAR SUMMARY 12/02 THROUGH 12/07

LOCATION	ZONE	AVG. PRICE 12/02	AVG. PRICE 12/07	5 YEAR \$ INCREASE	5 YEAR % INCREASE	PER MONTH \$ INCREASE	PER YEAR% INCREASE
MORGAN HILL /GILROY	1	\$579,804	\$900,520	\$320,716	55.31%	\$5,345.27	11.06%
SANTA TERESA	2	\$493,464	\$723,991	\$230,527	46.72%	\$3,842.12	9.34%
EVERGREEN	3	\$586,378	\$872,290	\$285,912	48.76%	\$4,765.20	9.75%
EAST VALLEY	4	\$432,032	\$618,117	\$186,085	43.07%	\$3,101.42	8.61%
NORTH VALLEY	5 & 6	\$502,152	\$721,136	\$218,984	43.61%	\$3,649.73	8.72%
SANTA CLARA	8	\$503,221	\$722,058	\$218,837	43.49%	\$3,647.28	8.70%
NORTH SAN JOSE	9	\$465,212	\$676,384	\$211,172	45.39%	\$3,519.53	9.08%
WILLOW GLEN	10	\$594,667	\$854,501	\$259,834	43.69%	\$4,330.57	8.74%
SOUTH SAN JOSE	11	\$414,467	\$611,621	\$197,154	47.57%	\$3,285.90	9.51%
BLOSSOM VALLEY	12	\$495,420	\$699,557	\$204,137	41.20%	\$3,402.28	8.24%
ALMADEN VALLEY	13	\$767,019	\$1,079,730	\$312,711	40.77%	\$5,211.85	8.15%
CAMBRIAN	14	\$500,714	\$750,814	\$250,100	49.95%	\$4,168.33	9.99%
CAMPBELL	15	\$552,481	\$822,223	\$269,742	48.82%	\$4,495.70	9.76%
LOS GATOS	16	\$1,132,048	\$1,607,945	\$475,897	42.04%	\$7,931.62	8.41%
SARATOGA	17	\$1,299,445	\$1,893,998	\$594,553	45.75%	\$9,909.22	9.15%
CUPERTINO	18	\$782,867	\$1,125,742	\$342,875	43.80%	\$5,714.58	8.76%
SUNNYVALE	19	\$621,518	\$883,850	\$262,332	42.21%	\$4,372.20	8.44%

Brian Crane 408.357.5775, BCrane@InteroRealEstate.com
Intero Real Estate Services, 518 N. Santa Cruz Ave., Los Gatos 95030

20 YEAR SUMMARY 12/87 THROUGH 12/07

LOCATION	ZONE	AVG. PRICE 12/87	AVG. PRICE 12/07	20 YEAR \$ INCREASE	20 YEAR % INCREASE	PER MONTH \$ INCREASE	PER YEAR% INCREASE
MORGAN HILL /GILROY	1	\$195,975	\$900,520	\$704,545	359.51%	\$2,935.60	17.98%
SANTA TERESA	2	\$149,045	\$723,991	\$574,946	385.75%	\$2,395.61	19.29%
EVERGREEN	3	\$143,636	\$872,290	\$728,654	507.29%	\$3,036.06	25.36%
EAST VALLEY	4	\$129,329	\$618,117	\$488,788	377.94%	\$2,036.62	18.90%
NORTH VALLEY	5 & 6	\$147,034	\$721,136	\$574,102	390.46%	\$2,392.09	19.52%
SANTA CLARA	8	\$159,534	\$722,058	\$562,524	352.60%	\$2,343.85	17.63%
NORTH SAN JOSE	9	\$139,263	\$676,384	\$537,121	385.69%	\$2,238.00	19.28%
WILLOW GLENN	10	\$175,886	\$854,501	\$678,615	385.83%	\$2,827.56	19.29%
SOUTH SAN JOSE	11	\$126,265	\$611,621	\$485,356	384.39%	\$2,022.32	19.22%
BLOSSOM VALLEY	12	\$143,090	\$699,557	\$556,467	388.89%	\$2,318.61	19.44%
ALMADEN VALLEY	13	\$249,773	\$1,079,730	\$829,957	332.28%	\$3,458.15	16.61%
CAMBRIAN	14	\$161,015	\$750,814	\$589,799	366.30%	\$2,457.50	18.32%
CAMPBELL	15	\$166,955	\$822,223	\$655,268	392.48%	\$2,730.28	19.62%
LOS GATOS	16	\$283,760	\$1,607,945	\$1,324,185	466.66%	\$5,517.44	23.33%
SARATOGA	17	\$367,934	\$1,893,998	\$1,526,064	414.77%	\$6,358.60	20.74%
CUPERTINO	18	\$218,280	\$1,125,742	\$907,462	415.73%	\$3,781.09	20.79%
SUNNYVALE	19	\$197,011	\$883,850	\$686,839	348.63%	\$2,861.83	17.43%

Facts and Trends™



Published Sep. 2008*

Location : ZIP 95037

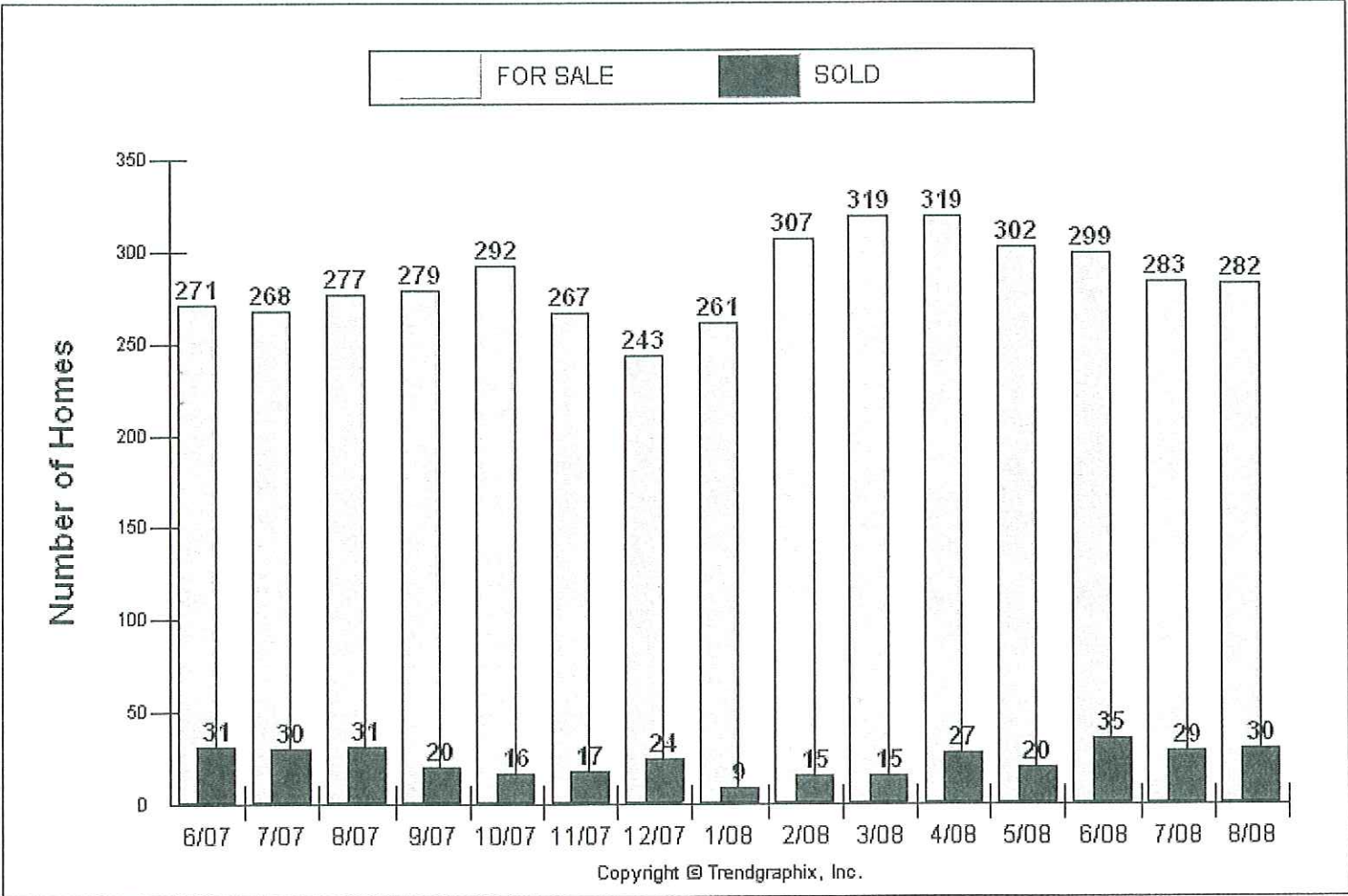
Number of Homes For Sale vs. Sold

Price Range: \$0 - No Limit

SQFT Range: 0 - No Limit

Single Family Homes

Prepared for you by: Steve Barsanti



Date	6/07	7/07	8/07	9/07	10/07	11/07	12/07	1/08	2/08	3/08	4/08	5/08	6/08	7/08	8/08
For Sale	271	268	277	279	292	267	243	261	307	319	319	302	299	283	282
Sold	31	30	31	20	16	17	24	9	15	15	27	20	35	29	30
Pended	28	31	18	18	19	24	11	14	18	29	32	37	34	40	41
Mon of Inv. on Sold	8.7	8.9	8.9	14	18.3	15.7	10.1	29	20.5	21.3	11.8	15.1	8.5	9.8	9.4
Mon of Inv. on Pended	9.7	8.6	15.4	15.5	15.4	11.1	22.1	18.6	17.1	11	10	8.2	8.8	7.1	6.9
Avg. Act Price	1065	1028	1021	1008	996	984	994	979	992	979	989	968	967	974	983
Avg. Sld Price	829	920	935	742	919	856	876	736	805	758	687	720	886	735	766
Avg. Sq. Ft. Price	406.96	381.9	370.89	370.07	357.38	333.31	350.67	335.22	345.9	307.36	333.03	309.98	332.23	311.77	306.12
Sold/List Diff. %	97	98	97	97	97	98	96	95	95	96	95	96	96	95	96
Days on Market	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Sold/Orig LP Diff. %	95	94	91	93	94	96	93	91	55	84	91	98	91	94	94
Avg CDOM	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Median Price	824	859	810	730	884	795	812	720	749	660	685	667	800	690	800

*All reports are published Sep. 2008, based on data available at the end of Aug. 2008.
All reports presented are based on data supplied by Contra Costa, Bay East, Santa Clara County, San Mateo County, Santa Cruz, Stanislaus County and San Joaquin County Association of Realtors or their MLSs. Neither the Associations nor their MLSs guarantee or are in anyway responsible for their accuracy. Data maintained by the Associations or their MLSs may not reflect all real estate activities in the market. Information deemed reliable but not guaranteed.

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Published Sep. 2008*

Location : ZIP 95037

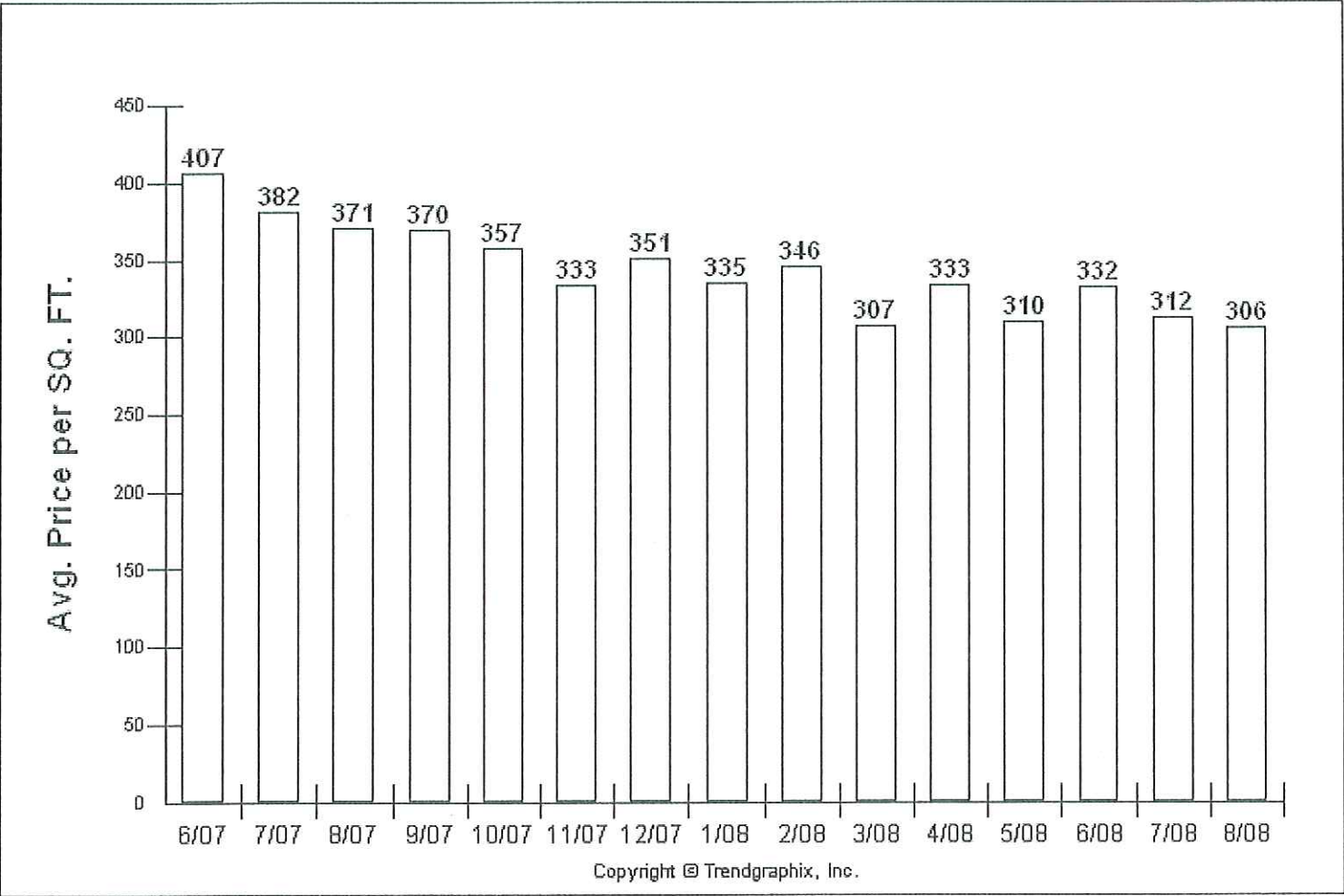
Average Home Sold Price per SQFT

Price Range: \$0 - No Limit

SQFT Range: 0 - No Limit

Single Family Homes

Prepared for you by: Steve Barsanti



Date	6/07	7/07	8/07	9/07	10/07	11/07	12/07	1/08	2/08	3/08	4/08	5/08	6/08	7/08	8/08
For Sale	271	268	277	279	292	267	243	261	307	319	319	302	299	283	282
Sold	31	30	31	20	16	17	24	9	15	15	27	20	35	29	30
Pended	28	31	18	18	19	24	11	14	18	29	32	37	34	40	41
Mon of Inv. on Sold	8.7	8.9	8.9	14	18.3	15.7	10.1	29	20.5	21.3	11.8	15.1	8.5	9.8	9.4
Mon of Inv. on Pended	9.7	8.6	15.4	15.5	15.4	11.1	22.1	18.6	17.1	11	10	8.2	8.8	7.1	6.9
Avg. Act Price	1065	1028	1021	1008	996	984	994	979	992	979	989	968	967	974	983
Avg. Sld Price	829	920	935	742	919	856	876	736	805	758	687	720	886	735	766
Avg. Sq. Ft. Price	406.96	381.9	370.89	370.07	357.38	333.31	350.67	335.22	345.9	307.36	333.03	309.98	332.23	311.77	306.12
Sold/List Diff. %	97	98	97	97	97	98	96	95	95	96	95	96	96	95	96
Days on Market	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Sold/Orig LP Diff. %	95	94	91	93	94	96	93	91	55	84	91	98	91	94	94
Avg CDOM	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Median Price	824	859	810	730	884	795	812	720	749	660	685	667	800	690	800

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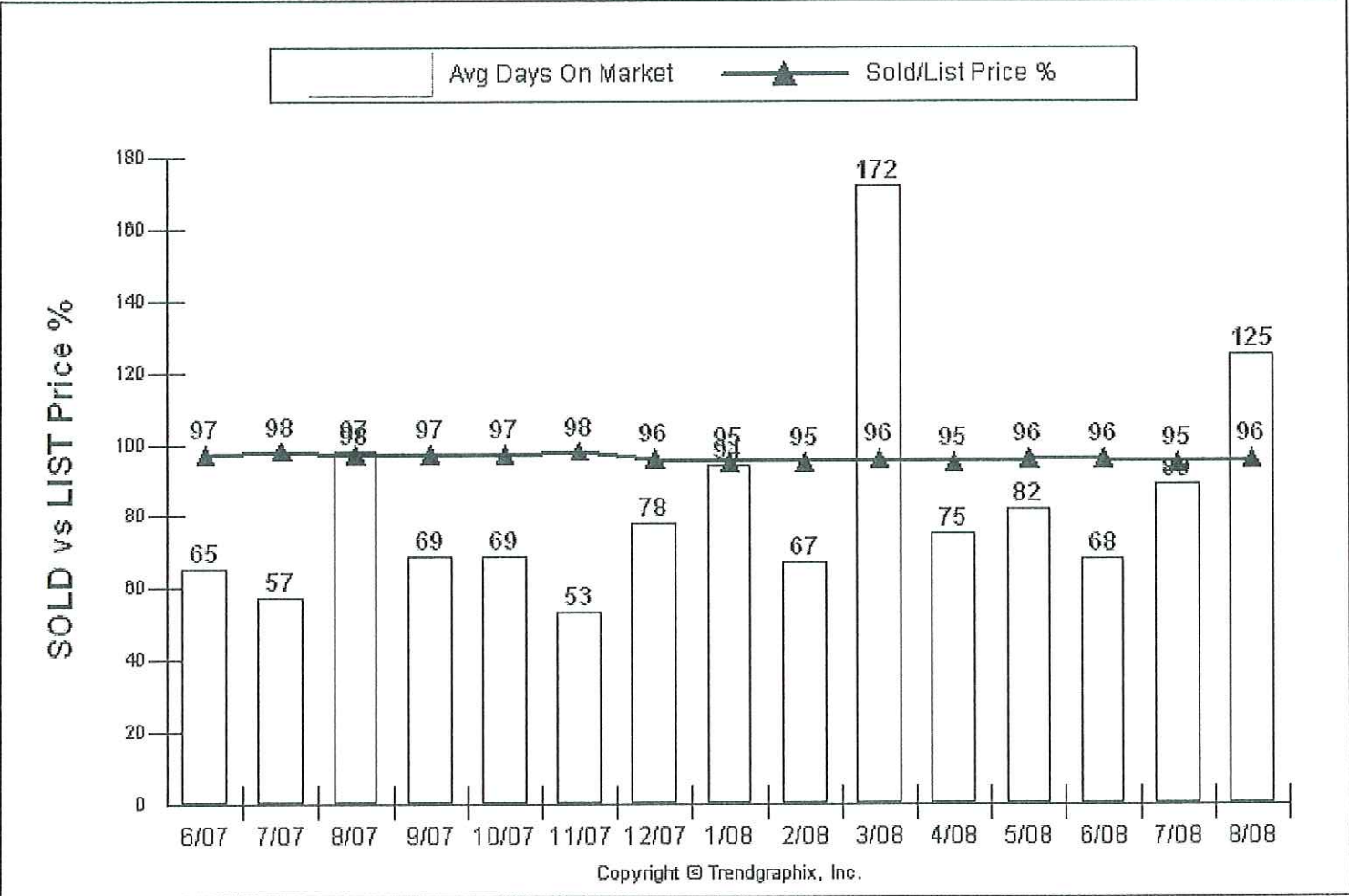
Facts and Trends™



Published Sep. 2008*

Location : ZIP 95037
Avg DOM & SP/LP %
Price Range: \$0 - No Limit
SQFT Range: 0 - No Limit
Single Family Homes

Prepared for you by: Steve Barsanti



Date	6/07	7/07	8/07	9/07	10/07	11/07	12/07	1/08	2/08	3/08	4/08	5/08	6/08	7/08	8/08
For Sale	271	268	277	279	292	267	243	261	307	319	319	302	299	283	282
Sold	31	30	31	20	16	17	24	9	15	15	27	20	35	29	30
Pended	28	31	18	18	19	24	11	14	18	29	32	37	34	40	41
Mon of Inv. on Sold	8.7	8.9	8.9	14	18.3	15.7	10.1	29	20.5	21.3	11.8	15.1	8.5	9.8	9.4
Mon of Inv. on Pended	9.7	8.6	15.4	15.5	15.4	11.1	22.1	18.6	17.1	11	10	8.2	8.8	7.1	6.9
Avg. Act Price	1065	1028	1021	1008	996	984	994	979	992	979	989	968	967	974	983
Avg. Sld Price	829	920	935	742	919	856	876	736	805	758	687	720	886	735	766
Avg. Sq. Ft. Price	406.96	381.9	370.89	370.07	357.38	333.31	350.67	335.22	345.9	307.36	333.03	309.98	332.23	311.77	306.12
Sold/List Diff. %	97	98	97	97	97	98	96	95	95	96	95	96	96	95	96
Days on Market	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Sold/Orig LP Diff. %	95	94	91	93	94	96	93	91	55	84	91	98	91	94	94
Avg CDOM	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Median Price	824	859	810	730	884	795	812	720	749	660	685	667	800	690	800

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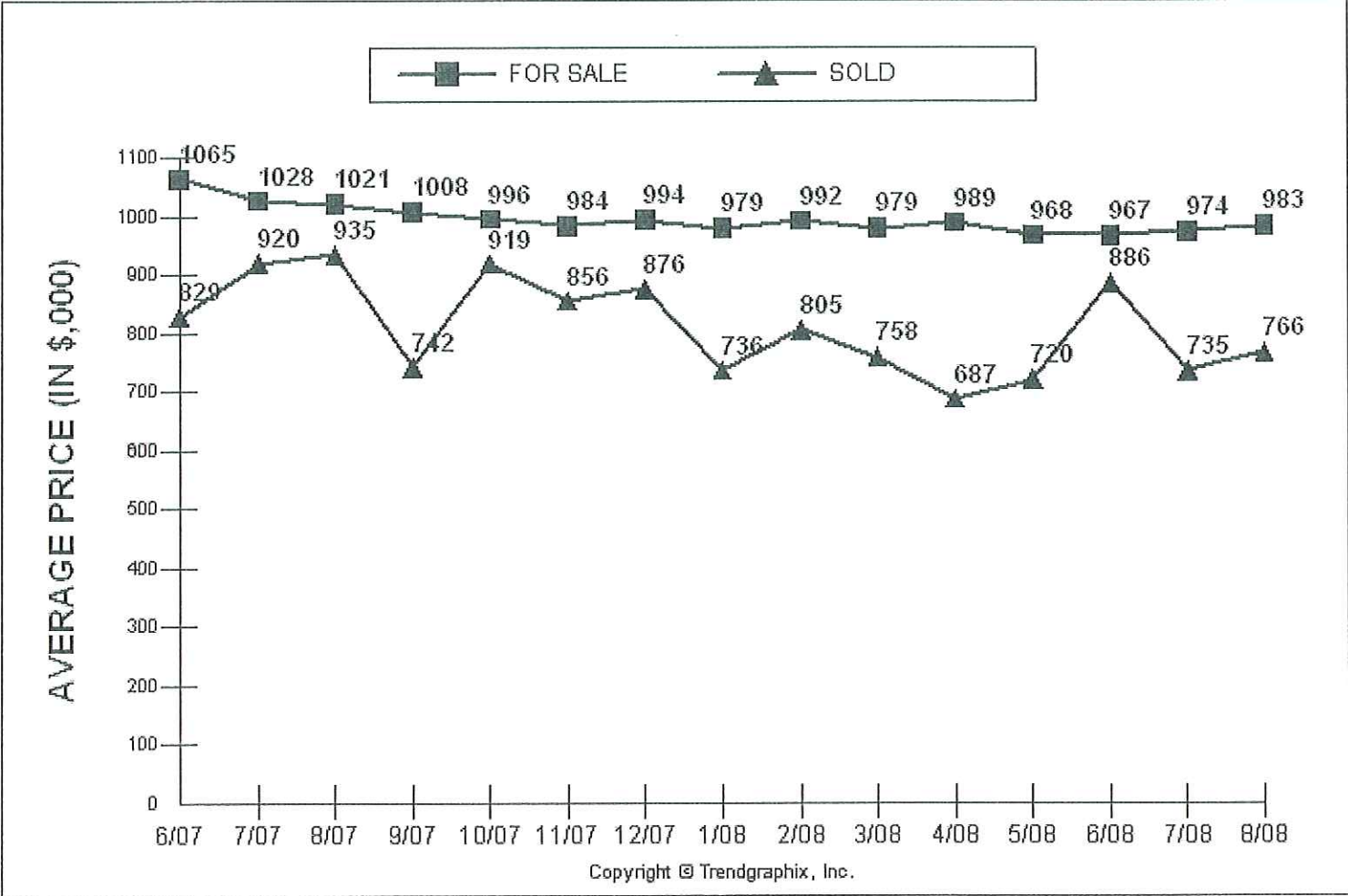
Avg Price For Sale & Sold

Price Range: \$0 - No Limit

SQFT Range: 0 - No Limit

Single Family Homes

Prepared for you by: Steve Barsanti



Date	6/07	7/07	8/07	9/07	10/07	11/07	12/07	1/08	2/08	3/08	4/08	5/08	6/08	7/08	8/08
For Sale	271	268	277	279	292	267	243	261	307	319	319	302	299	283	282
Sold	31	30	31	20	16	17	24	9	15	15	27	20	35	29	30
Pended	28	31	18	18	19	24	11	14	18	29	32	37	34	40	41
Mon of Inv. on Sold	8.7	8.9	8.9	14	18.3	15.7	10.1	29	20.5	21.3	11.8	15.1	8.5	9.8	9.4
Mon of Inv. on Pended	9.7	8.6	15.4	15.5	15.4	11.1	22.1	18.6	17.1	11	10	8.2	8.8	7.1	6.9
Avg. Act Price	1065	1028	1021	1008	996	984	994	979	992	979	989	968	967	974	983
Avg. Sld Price	829	920	935	742	919	856	876	736	805	758	687	720	886	735	766
Avg. Sq. Ft. Price	406.96	381.9	370.89	370.07	357.38	333.31	350.67	335.22	345.9	307.36	333.03	309.98	332.23	311.77	306.12
Sold/List Diff. %	97	98	97	97	97	98	96	95	95	96	95	96	96	95	96
Days on Market	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Sold/Orig LP Diff. %	95	94	91	93	94	96	93	91	55	84	91	98	91	94	94
Avg CDOM	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Median Price	824	859	810	730	884	795	812	720	749	660	685	667	800	690	800

*All reports are published Sep. 2008, based on data available at the end of Aug. 2008.
All reports presented are based on data supplied by Contra Costa, Bay East, Santa Clara County, San Mateo County, Santa Cruz, Stanislaus County and San Joaquin County Association of Realtors or their MLSs. Neither the Associations nor their MLSs guarantee or are in anyway responsible for their accuracy. Data maintained by the Associations or their MLSs may not reflect all real estate activities in the market. Information deemed reliable but not guaranteed.

Facts and TrendsTM



Published Sep. 2008*

Location : ZIP 95037

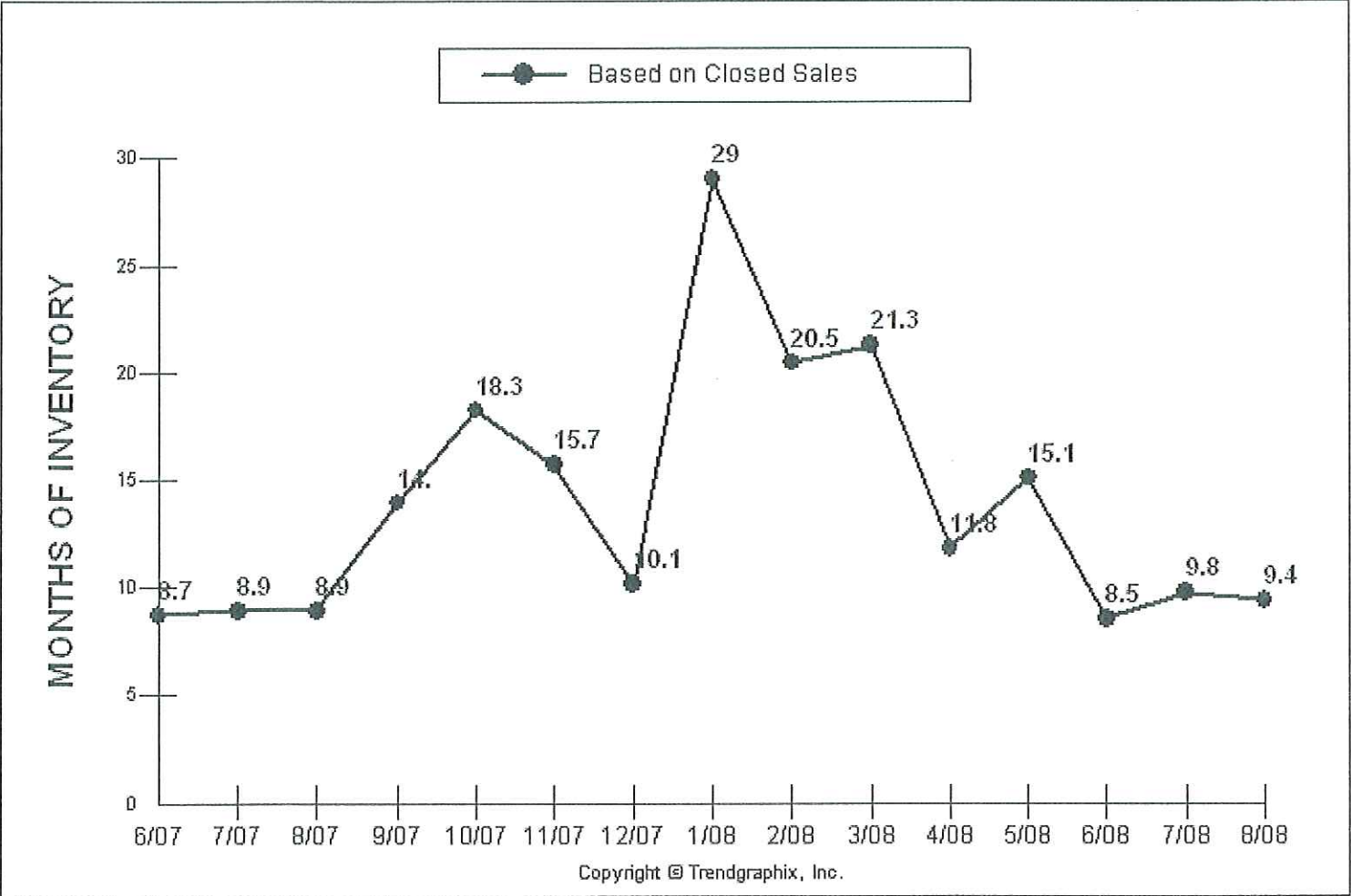
Months of Inventory Based on Closed Sales

Price Range: \$0 - No Limit

SQFT Range: 0 - No Limit

Single Family Homes

Prepared for you by: Steve Barsanti



Date	6/07	7/07	8/07	9/07	10/07	11/07	12/07	1/08	2/08	3/08	4/08	5/08	6/08	7/08	8/08
For Sale	271	268	277	279	292	267	243	261	307	319	319	302	299	283	282
Sold	31	30	31	20	16	17	24	9	15	15	27	20	35	29	30
Pended	28	31	18	18	19	24	11	14	18	29	32	37	34	40	41
Mon of Inv. on Sold	8.7	8.9	8.9	14	18.3	15.7	10.1	29	20.5	21.3	11.8	15.1	8.5	9.8	9.4
Mon of Inv. on Pended	9.7	8.6	15.4	15.5	15.4	11.1	22.1	18.6	17.1	11	10	8.2	8.8	7.1	6.9
Avg. Act Price	1065	1028	1021	1008	996	984	994	979	992	979	989	968	967	974	983
Avg. Sld Price	829	920	935	742	919	856	876	736	805	758	687	720	886	735	766
Avg. Sq. Ft. Price	406.96	381.9	370.89	370.07	357.38	333.31	350.67	335.22	345.9	307.36	333.03	309.98	332.23	311.77	306.12
Sold/List Diff. %	97	98	97	97	97	98	96	95	95	96	95	96	96	95	96
Days on Market	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Sold/Orig LP Diff. %	95	94	91	93	94	96	93	91	55	84	91	98	91	94	94
Avg CDOM	65	57	98	69	69	53	78	94	67	172	75	82	68	89	125
Median Price	824	859	810	730	884	795	812	720	749	660	685	667	800	690	800

*All reports are published Sep. 2008, based on data available at the end of Aug. 2008.
All reports presented are based on data supplied by Contra Costa, Bay East, Santa Clara County, San Mateo County, Santa Cruz, Stanislaus County and San Joaquin County Association of Realtors or their MLSs. Neither the Associations nor their MLSs guarantee or are in anyway responsible for their accuracy. Data maintained by the Associations or their MLSs may not reflect all real estate activities in the market. Information deemed reliable but not guaranteed.



AGENDA ITEM
NO. 2

MEMORANDUM

To: PLANNING COMMISSION

Date: September 23, 2008

From: COMMUNITY DEVELOPMENT DEPARTMENT

**Subject: DEVELOPMENT AGREEMENT AND DEVELOPMENT SCHEDULE
AMENDMENTS, DAA-05-13C/DSA-07-08A: JARVIS – SOUTH VALLEY
DEVELOPERS**

REQUEST

The applicant, South Valley Developers, is requesting to amend the development agreement and development schedule for 60 townhomes in the Madrone Plaza project to allow for a one-year extension of time and to modify commitments regarding below market rate units.

RECOMMENDATION

Application, DAA-05-13C: Adopt Resolution recommending approval of Development Agreement Amendment

Application, DSA-07-08A: Adopt Resolution amending the Development Schedule

Processing Deadline: February 21, 2009

BACKGROUND

The Madrone Plaza project is a joint venture development between South Valley Developers and South County Housing consisting of 229 multi-family units. South Valley Developers will construct 134 of the 229 units. They currently have 78 building allotments that are spread over four fiscal years: 36 units in FY 2006-07; 13 units in FY 2007-08; 15 units in FY 2008-09; and 14 units in FY 2009-10.

CASE ANALYSIS

Extension of Time

In accordance with South Valley Developer’s current development agreement and development schedule, building permits for the 36, FY 2006-07 allotments need to be obtained by September 30, 2008 and construction must commence by December 31, 2008. South Valley Developers has constructed 18 of the 36 units but is requesting additional time (one year) for the remaining 18. The applicant is also requesting to extend other deadlines contained in the development agreement and development schedule by one year as shown below.

DEVELOPMENT AGREEMENT	Original Dates	April 2007 Amended Dates	January 2008 Amended Dates	Current Request
Commencement of Construction				
FY 2006-07 (36 units)	06-30-07	(+6 mo.) 12-31-07	(+12 mo.) 12-31-08	(+12 mo.) 12-31-09*
FY 2007-08 (13 units)	04-30-08	(+6 mo.) 10-30-08	(+12 mo.) 10-30-09	(+12 mo.) 10-29-10
FY 2008-09 (15 units)	04-30-09		(+5 mo.) 09-30-09	(+12 mo.) 09-30-10
FY 2009-10 (14 units)	04-30-10			(+12 mo.) 04-29-11

* Request is for 18 of the 36 FY 2006-07 allotments

DEVELOPMENT SCHEDULE	Original Dates	March 2007 Amended Dates	December 2007 Amended Dates	Current Request
Obtain Building Permit				
FY 2006-07 (36 units)	03-31-07	(+6 mo.) 09-30-07	(+12 mo.) 09-30-08	(+12 mo.) 09-30-09
FY 2007-08 (13 units)	09-30-07	(+6 mo.) 03-30-08	(+12 mo.) 03-30-09	(+12 mo.) 03-30-10
FY 2008-09 (15 units)	09-30-08		(+9 mo.) 06-30-09	(+12 mo.) 06-30-10
FY 2009-10 (14 units)	09-30-09			(+12 mo.) 09-30-10

South Valley Developers has made significant progress on the Madrone Plaza project. The project site has been graded, all 78 building pads have been completed, and utilities (sanitary sewer, water and dry utilities) have been stubbed to each lot. South Valley Developers has also completed the building plan check process for all 78 units, of which 18 have been constructed. If South Valley Developers were to pull building permits for the remaining 60 units, they would meet the definition for commencement of construction and would not need an extension of time. However, due to the downturn in the housing market, they have pulled permits for and constructed only 18 units.

In accordance with Municipal Code Section 18.78.125.G, “An exception to the loss of allotment may be granted by the city council if the cause for the lack of commencement was the city's failure to grant a building permit for the project due to an emergency situation as defined in Section 18.78.140, or extended delays in environmental reviews, delays not the result of developer inaction, or allotment appeals processing.” The City Council has also in the past approved requests for extensions of time due to a downturn in the housing market. At the

August 27 Council meeting, however, the City Council requested that developers be required to provide more data and documentation to justify extension of time requests.

As described above, South Valley Developers has made substantial progress in the development and has been working diligently throughout the permitting process. Eighteen units have been constructed and a large portion of the project common area has been completed. Common area amenities include a basketball court, tot-lot, recreation center, bocce ball court, and swimming pool. It should be noted that certain amenities (e.g. swimming pool and recreation center) will not be turned over to the homeowners association until the FY 07-08, 08-09, & 09-10 units are constructed as per the approved development agreement in an effort to keep HOA dues low for the initial homebuyers.

While many of the project improvements have already been completed, the applicant is requesting an extension of time due to the downturn in the housing market. In accordance with the applicant's Construction Loan Agreement (Exhibit B of Construction Loan Agreement attached for the Commission's reference), the applicant was allowed to start only 18 units initially. The Construction Loan Agreement states, *"Additional units may be started when at least five units are sold. A sale is defined as a unit with a signed unconditional sales contract in form and content acceptable to Bank. No more than 25 units shall be under construction at any one time and unsold."* According to the applicant, only one unit is currently in contract. The project is being marketed under a shared agreement with Intero Real Estate Services and MSC Advantage. The applicant has also retained the services of Gunn+Jerkins, a professional marketing company. For the last four months, the applicant has been actively marketing the project in the following ways:

- Participation in the Realtor MLS Program;
- Ads in the New Home Finder in the San Jose Mercury News;
- Weekend directional signs;
- Email blasts; and
- Marketing efforts through on-site sales office and model units.

According to the applicant, the Madrone Plaza units have been priced aggressively and they offer exceptional incentives to their buyers. For the Commission's reference, copies of the sales price sheet and marketing material for Madrone Plaza is attached. (Please note the 78 townhome units that will be constructed and sold by South Valley Developers' is referred to as the Villas in the marketing material.)

Based on the information discussed above and the material provided by the applicant, Staff recommends approval of the extension of time request.

Below Market Rate (BMR) Units

Under the current development agreement, the applicant is required to provide 10, for sale BMR units (four low-income and six median income). In September 2007, the City approved an amendment to the project development agreement allowing the applicant to construct all 10 BMRs as three-bedroom units. The original development agreement required the applicant to

provide a mix of one, two and three bedroom units. However, the applicant was allowed to defer the one and two bedroom units to the next phase of the project as it will consist of smaller condominiums. The Housing Division supported the change to three bedroom units given there was a higher demand for three and four bedroom BMRs.

The applicant is currently requesting to amend the development agreement to be allowed to construct the 10 BMRs as four-bedroom units. According to the applicant, the units that will be sold as BMRs are also provided as four bedroom market-rate homes (see Plan A in the attached marketing material). The difference in sales price for three bedroom units versus four bedroom units is \$19,500 for the low income BMRs and \$26,000 for the medians (see attached price sheet). The Housing Division staff does not object to four-bedroom, low income BMRs since the price differential is not considered significant and the City has not had difficulty filling the four-bedroom, low income units. However, the Housing Division would have concern if the median income BMRs were converted to four bedroom units. Given the price differential between the three and four bedroom median income BMRs is greater and the difficulties in obtaining a loan in the current lending environment, the Housing Division does not support changing the three bedroom, median income BMRs to four bedroom units.

In addition to the change in bedroom count for the BMRs, the applicant is also requesting to add a provision in the development agreement addressing the possible changes to the City's BMR requirements which are currently being evaluated. In the event the City reduces the number of BMRs required of a project, whether it be temporary or permanent, the applicant would like to address the matter as part of the current development agreement amendment application. It should be noted that if the City approves any changes to current BMR commitments, amendments to numerous existing development agreements would be required to clearly specify the parameters in which the changes are approved and to strengthen the indemnification clause. It is anticipated that the development agreement amendment applications would be processed in one large batch. Therefore, Staff recommends deferring the inclusion of any provision regarding the reduction in BMR commitments to a future date as part of the larger batch amendments.

Staff recommends amending the development agreement to allow the four bedroom low income BMRs, maintain the three bedroom median income BMRs, and defer any provisions regarding reducing the number of BMRs to a future date.

RECOMMENDATION

Staff recommends approval of the development agreement and development schedule amendments as contained in the attached resolutions.

Attachments:

1. Resolution recommending approval of DAA
2. Resolution amending development schedule
3. Applicant's Letter of Request
4. Construction Loan Agreement Exhibit
5. Madrone Plaza Marketing Exhibits
6. BMR Price Sheet

RESOLUTION NO. 08-

**A RESOLUTION OF THE PLANNING COMMISSION
OF THE CITY OF MORGAN HILL RECOMMENDING
APPROVAL OF DEVELOPMENT AGREEMENT
AMENDMENT APPLICATION, DAA-05-13C: JARVIS –
SOUTH VALLEY DEVELOPERS ALLOWING A 12-
MONTH EXTENSION OF TIME TO COMMENCE
CONSTRUCTION ON 78 BUILDING ALLOTMENTS
AND TO MODIFY COMMITMENTS REGARDING
BELOW MARKET RATE UNITS (APN 726-25-076)**

WHEREAS, the Planning Commission, pursuant to Chapter 18.78.125 of the Morgan Hill Municipal Code, awarded 78 building allotments for application MC-04-22: Jarvis – South Valley Developers (36 allotments for FY 2006-07, 13 allotments for FY 2007-08, 15 allotments for FY 2008-09 and 14 allotments for FY 2009-10); and

WHEREAS, the City Council of the City of Morgan Hill has adopted Resolution No. 4028, establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Morgan Hill Municipal Code; and

WHEREAS, Sections 65864 through 65869.5 of the California Government Code authorizes the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property; and

WHEREAS, on September 20, 2006, the City Council adopted Ordinance No. 1791, N.S. which approved a development agreement and established a development schedule for the 78-unit development; and

WHEREAS, on May 2, 2007, the City Council adopted Ordinance No. 1831, N.S. which amended the development agreement to allow a six-month extension of the commence construction date for the 36, FY 2006-07 and 13, FY 2007-08 building allotments; and

WHEREAS, on January 16, 2008, the City Council adopted Ordinance No. 1864, N.S. which amended the development agreement to allow an extension of time of up to 12 months for the 36 FY 2006-07, 13 FY 2007-08, and 15 FY 2008-09 building allotments; and

WHEREAS, under Section 18.78.125.G of the Municipal Code, the City Council may grant an Exception to Loss of Building Allotment (ELBA) if it finds that the cause for the lack of commencement was the City's failure to grant a building permit for the project due to an emergency situation as defined in Section 18.78.140, or extended delays in environmental review, permit delays not the result of developer inaction, or allocation appeals processing; and

WHEREAS, the applicant is currently requesting to amend the development agreement to allow for an additional 12-month ELBA due to the downturn in the housing market; and

WHEREAS, the City Council has in the past approved ELBA requests due to a downturn in the housing market which is an external factor not the result of developer inaction; and

WHEREAS, the applicant is also requesting to amend the development agreement in order to construct four, low income below market rate units as four-bedroom units; and

WHEREAS, said development agreement amendment request was considered by the Planning Commission at their regular meeting of September 23, 2008, at which time the Planning Commission recommended approval of development agreement amendment application, DAA-05-13C: Jarvis – South Valley Developers; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES RESOLVE AS FOLLOWS:

SECTION 1. ADOPTION OF DEVELOPMENT AGREEMENT AMENDMENT. The Planning Commission hereby recommends to the City Council adoption of the Development Agreement Amendment for DAA-05-13C: Jarvis – South Valley Developers as shown in the attached Exhibit A.

SECTION 2. EXCEPTION TO LOSS OF BUILDING ALLOTMENT. The project applicant has, in a timely manner, submitted necessary planning applications to pursue development. Delays in the project processing have occurred due to external factors not the result of developer inaction, including the downturn in the housing market. Based on the findings required in Section 18.78.125 of the Municipal Code and precedent set by the Council to allow a downturn in the housing market to be justification for an ELBA request, the Planning Commission recommends approval of the development agreement amendment to allow a 12-month Exception to Loss of Building Allotment as shown in the attached Exhibit A.

SECTION 3. MODIFICATION TO PARAGRAPH 14(l)(ii). The Planning Commission recommends that Paragraph 14(l)(ii) of the development agreement be modified as follows:

- (ii) The following unit types shall be provided for the 10, for sale BMR units:
 - Low Income: Four, ~~3~~ **4bdrm**, ~~2-1/2~~ **3** baths, approx. 1700 sf
 - Median Income: Six, 3bdrm, ~~2-1/2~~ **3** baths, approx. 1700 sf

PASSED AND ADOPTED THIS 23RD DAY OF SEPTEMBER 2008, AT A REGULAR MEETING OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: COMMISSIONERS:
NOES: COMMISSIONERS:
ABSTAIN: COMMISSIONERS:
ABSENT: COMMISSIONERS:

ATTEST:

APPROVED:

FRANCES O. SMITH, Deputy City Clerk

SUSAN KOEPP-BAKER, Chair

Exhibit A

EXHIBIT B

DEVELOPMENT SCHEDULE MC-04-22: Jarvis – South Valley Developers
FY 06-07 (36 allotments)/FY 07-08 (13 allotments)/
FY 08-09 (15 allotments)/FY 09-10 (14 allotments)

	Currently Approved Date	Requested Date
I. COMMENCE CONSTRUCTION:		
FY 2006-07 (36 units)	Dec. 31, 2008	<i>Dec. 31, 2009</i>
FY 2007-08 (13 units)	Oct. 30, 2009	<i>Oct. 29, 2010</i>
FY 2008-09 (15 units)	Sept. 30, 2009	<i>Sept. 30, 2010</i>
FY 2009-10 (14 units)	April 30, 2010	<i>April 29, 2011</i>

Failure to commence construction by the dates listed above shall result in the loss of building allocations. In such event, the property owner must re-apply under the development allotment process outlined in Section 18.78.090 of the Municipal Code if development is still desired.

An exception to the loss of allocation may be granted by the City Council if the cause for the lack of commencement was the City's failure to grant a building permit for the project due to an emergency situation as defined in Section 18.78.140 or extended delays in environmental reviews, permit delays not the result of developer inactions, or allocation appeals processing.

If a portion of the project has been completed (physical commencement on at least 39 dwelling units and lot improvements have been installed according to the plans and specifications), the property owner may submit an application for reallocation of allotments. Distribution of new building allocations for partially completed project shall be subject to the policies and procedures in place at the time the reallocation is requested.

RESOLUTION NO. 08-

**A RESOLUTION OF THE PLANNING COMMISSION
OF THE CITY OF MORGAN HILL APPROVING AN
AMENDMENT TO THE DEVELOPMENT SCHEDULE
FOR APPLICATION MC-04-22: JARVIS – SOUTH
VALLEY DEVELOPERS TO ALLOW FOR A 12-
MONTH EXTENSION OF TIME (APN 726-25-076)**

WHEREAS, the Planning Commission, pursuant to Chapter 18.78.125 of the Morgan Hill Municipal Code, awarded 78 building allotments for application MC-04-22: Jarvis – South Valley Developers (36 allotments for FY 2006-07, 13 allotments for FY 2007-08, 15 allotments for FY 2008-09 and 14 allotments for FY 2009-10); and

WHEREAS, the City Council of the City of Morgan Hill has adopted Resolution No. 4028, establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Morgan Hill Municipal Code; and

WHEREAS, on September 20, 2006, the City Council adopted Ordinance No. 1791, N.S., which approved a development agreement and established a development schedule for the 78-unit development; and

WHEREAS, on March 27, 2007, the Planning Commission adopted Resolution No. 07-23, approving a separate development schedule for the 78 building allotments in accordance with Commission Policy PCP-06-01 and incorporating a six-month extension of time; and

WHEREAS, on December 11, 2007, the Planning Commission adopted Resolution No. 07-89, approving an extension of time of up to 12 months for the 36 FY 2006-07, 13 FY 2007-08, and 15 FY 2008-09 building allotments; and

WHEREAS, the applicant is currently requesting to amend the development schedule to allow for an additional 12-month extension of time; and

WHEREAS, the amended development schedule for application MC-04-22: Jarvis – South Valley Developers was considered by the Planning Commission at their regular meeting of September 23, 2008, at which time the Planning Commission approved the amended development schedule.

NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES RESOLVE AS FOLLOWS:

SECTION 1. ADOPTION OF AMENDED DEVELOPMENT SCHEDULE. The Planning Commission hereby adopts the amended Development Schedule for MC-04-22: Jarvis – South Valley Developers attached to this Resolution as Exhibit A.

PASSED AND ADOPTED THIS 23RD DAY OF SEPTEMBER 2008, AT A REGULAR MEETING OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: COMMISSIONERS:
NOES: COMMISSIONERS:
ABSTAIN: COMMISSIONERS:
ABSENT: COMMISSIONERS:

ATTEST:

APPROVED:

FRANCES O. SMITH, Deputy City Clerk

SUSAN KOEPP-BAKER, Chair

AFFIDAVIT

I, **Scott Schilling**, applicant, hereby agree to accept and abide by the terms and conditions specified in this resolution.

SOUTH VALLEY DEVELOPERS, INC.

Scott Schilling, President
Applicant

Date: _____

EXHIBIT “A”

DEVELOPMENT SCHEDULE MC-04-22: Jarvis – South Valley Developers
FY 06-07 (36 allotments)/FY 07-08 (13 allotments)/
FY 08-09 (15 allotments)/FY 09-10 (14 allotments)

	Currently Approved Dates	Requested Date
I. SUBDIVISION AND ZONING APPLICATIONS		
Applications Filed:	11-02-05	
II. SITE REVIEW APPLICATION		
Application Filed:	09-01-06	
III. FINAL MAP SUBMITTAL		
Map, Improvements Agreement and Bonds:		
FY 2006-07 (36 units)	10-31-06	
FY 2007-08 (13 units)	07-30-07	
FY 2008-09 (15 units)	07-30-08	
FY 2009-10 (14 units)	07-30-09	
IV. BUILDING PERMIT SUBMITTAL		
Submit plans to Building Division for plan check:		
FY 2006-07 (36 units)	01-02-07	
FY 2007-08 (13 units)	08-15-07	
FY 2008-09 (15 units)	08-15-08	
FY 2009-10 (14 units)	08-15-09	
V. BUILDING PERMITS		
Obtain Building Permits:		
FY 2006-07 (36 units)	Sept. 30, 2008	<i>Sept. 30, 2009</i>
FY 2007-08 (13 units)	March 30, 2009	<i>March 30, 2010</i>
FY 2008-09 (15 units)	June 30, 2009	<i>June 30, 2010</i>
FY 2009-10 (14 units)	Sept. 30, 2009	<i>Sept. 30, 2010</i>

Failure to obtain building permits by the dates listed above shall result in the loss of building allocations. Submitting a Final Map Application or a Building Permit one (1) or more months beyond the filing dates listed above shall result in the applicant being charged a processing fee equal to double the building permit plan check fee and/or double the map checking fee to recoup the additional costs incurred in processing the applications within the required time limits. Additionally, failure to meet the Final Map Submittal and Building Permit Submittal deadlines listed above may result in loss of building allocations. In such event, the property owner must re-apply under the development allotment process outlined in Section 18.78.090 of the Municipal Code if development is still desired.

An exception to the loss of allocation may be granted by the City Council if the cause for the lack of commencement was the City's failure to grant a building permit for the project due to an emergency situation as defined in Section 18.78.140 or extended delays in environmental reviews, permit delays not the result of developer inactions, or allocation appeals processing.

If a portion of the project has been completed (physical commencement on at least 39 dwelling units and lot improvements have been installed according to the plans and specifications), the property owner may submit an application for reallocation of allotments. Distribution of new building allocations for partially completed project shall be subject to the policies and procedures in place at the time the reallocation is requested.

SOUTH VALLEY DEVELOPERS

DA 05-13C
CITY

August 21, 2008

PLANNING DEPT.

AUG 21 2008

CITY OF MORGAN HILL

City of Morgan Hill
17555 Peak Avenue
Morgan Hill, CA 95037

Dear Planning Department:

We are currently under construction on the Madrone Plaza project. We have installed all of the off-site improvements for the 78 townhomes and we are under construction on the first 18 homes. We are requesting the following modifications to the Development Agreement for the subdivision:

1. We would request that the Development Agreement be modified to allow the BMR requirement for 3 bedroom units to be upgraded to 4 bedroom units. We are providing 4 bedroom homes on the units that will be sold as BMR units.
2. We would request a 12 month extension on the current remaining 60 allocations.
3. We would request a reduction of the BMR requirement in accordance with any new approved City Council Policy which may occur in the coming months for on-going projects.

Sincerely,



Scott Schilling
South Valley Developers
16060 Caputo Drive #160
Morgan Hill, CA 95037
408-779-6400

EXHIBIT B
ADDITIONAL PROVISIONS (SUBDIVISION DEVELOPMENT)

This exhibit contains additional provisions applicable to the Construction Loan. All terms defined in the Construction Loan Agreement have the same meaning in the Exhibit.

1. Borrower shall pay the release price, as stipulated in Exhibit A, for each unit started on the earlier to occur of 1) the date upon which the sale of the unit is consummated; or 2) 300 days after the first disbursement of Loan proceeds for each such unit, but in no event later than the maturity date of the Note.

2. Upon completion of a unit, Borrower shall immediately cause to be recorded, through the insuring title insurance company, a Notice of Completion and request a lien free endorsement, form 101.6 or equivalent to be forwarded to Bank.

3. Upon request Borrower shall provide Bank a monthly progress report indicating the status of all units under construction. This shall include the square footage, the model number and, if sold, the sale price and anticipated date of close of escrow.

4. In addition to the initial Loan Origination Fee of \$115,125.00, Borrower agrees to pay to Bank a fee of .75% on all draws that exceed the cumulative total of \$15,350,000.00.

5. Borrower is initially authorized to pour foundations for all seven (7) buildings in the first phase of 35 units. However, no more than eighteen units shall be started. Additional units may be started when at least five units are sold. A sale is defined as a unit with a signed unconditional sales contract in form and content acceptable to Bank. No more than 25 units shall be under construction at any one time and unsold.

6. ADDITIONAL CONDITIONS FOR LOAN DISBURSEMENT, REVOLVING CREDIT PROVISIONS: Notwithstanding the provisions of the Revolving Construction Note the following budget items shall not revolve: Offsite improvements, Plans and Engineering, Common Area and Final Map recording fees, for a total of \$3,660,000.00.

BORROWER'S INITIALS 



THE VILLAS PHASE 1

EXQUISITE TOWN-HOMES

LOT	ADDRESS	MODEL	SQ. FT.	BED/BATH	PRICE
1	164 Cochrane Rd	B	1,929	4 / 3 ½	\$556,950
3	156 Cochrane Rd	B	1,929	4 / 3 ½	\$558,500
18	18558 Garnet Ln	B	1,929	4 / 3 ½	\$575,000
19	18554 Garnet Ln	A	1,773	3 / 3	\$587,700*
20	18550 Garnet Ln	B	1,929	4 / 3 ½	\$607,450**
26	18532 Poppy Jasper Ln	B	1,929	4 / 3 ½	\$589,900
27	18528 Poppy Jasper Ln	A	1,773	3 / 3	\$574,650
28	18524 Poppy Jasper Ln	A	1,773	3 / 3	\$574,650
30	18516 Poppy Jasper Ln	A	1,773	3 / 3	\$574,650

**This home includes approximately \$23,000 in upgrades.*

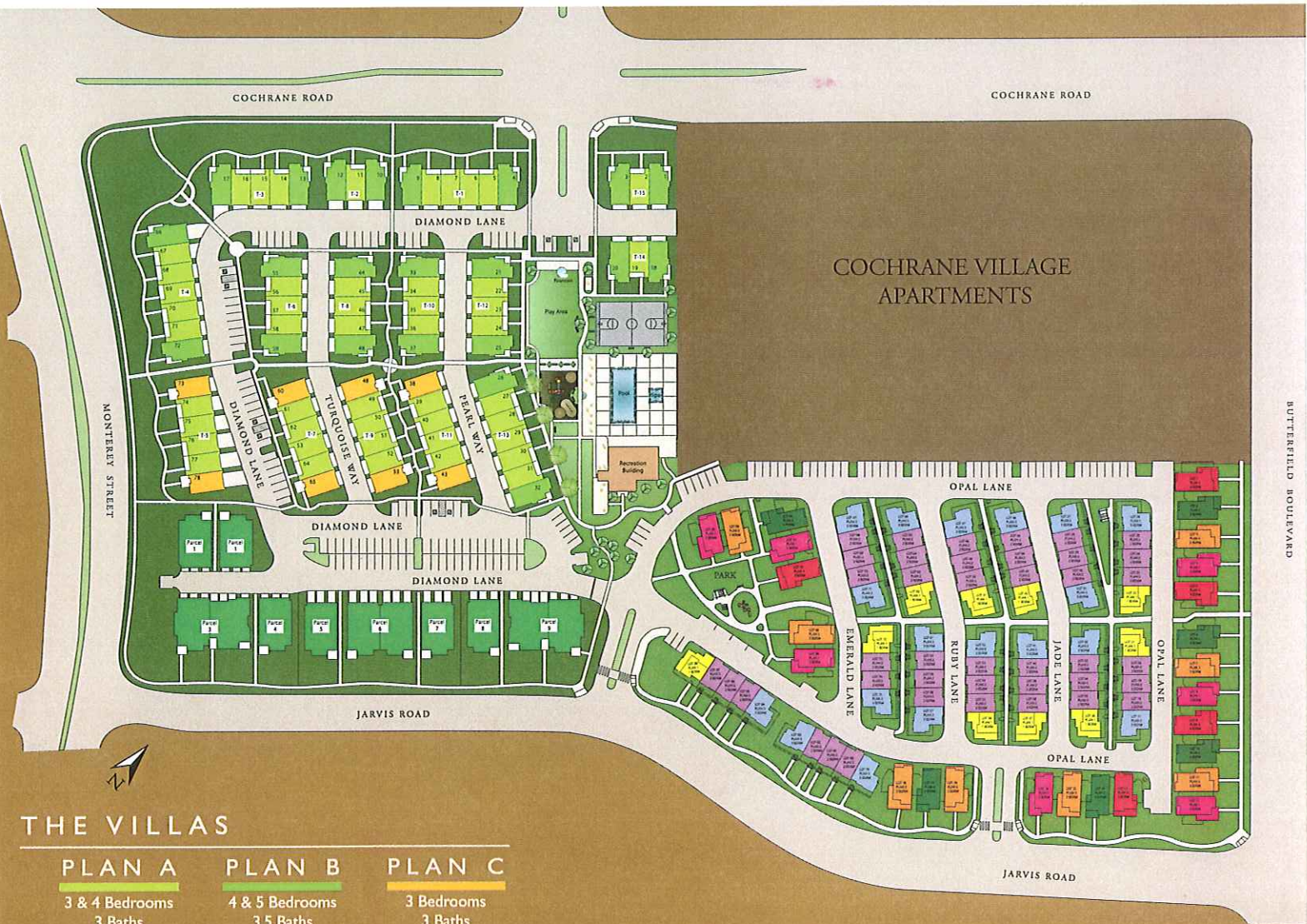
***This home includes approximately \$18,000 in upgrades.*

FOR INFORMATION, PLEASE CONTACT THE MADRONE PLAZA SALES OFFICE AT
(408) 779-8231

Madrone Plaza reserves the right to change plans, prices and terms without prior notice.

Last Update: June 3, 2008

MADRONE PLAZA



THE VILLAS

PLAN A	PLAN B	PLAN C
3 & 4 Bedrooms 3 Baths 2-Car Garage 1,773 Sq. Ft.	4 & 5 Bedrooms 3.5 Baths 2-Car Garage 1,929 Sq. Ft.	3 Bedrooms 3 Baths 2-Car Garage 1,821 Sq. Ft.

THE PASEOS

PLAN 1	PLAN 2	PLAN 3
1 Bedroom 1.5 Baths 1-Car Garage 1,090 Sq. Ft.	2 Bedrooms 2.5 Baths 2-Car Garage 1,374 Sq. Ft.	3 Bedrooms 2.5 Baths 2-Car Garage 1,680 Sq. Ft.

THE ARBORS

PLAN 1	PLAN 2	PLAN 3	PLAN 4
3 Bedrooms 2.5 Baths 2-Car Garage 1,419 Sq. Ft.	4 Bedrooms 2.5 Baths 2-Car Garage 1,538 Sq. Ft.	3 Bedrooms 2.5 Baths 2-Car Garage 1,462 Sq. Ft.	4 Bedrooms 2.5 Baths 2-Car Garage 1,581 Sq. Ft.



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In the interest of continuous improvement, builder reserves the right to make modifications in plans, exterior designs, prices, materials and specifications at anytime without notice. Windows and entry columns may vary with exterior elevations. Square footages are approximate. 5/08

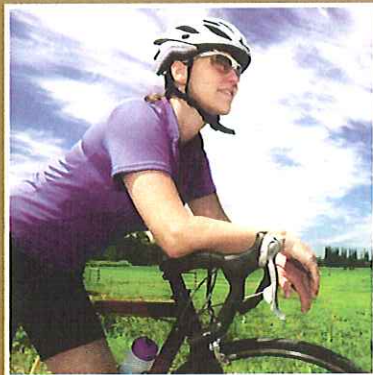


MASTER-PLANNED LIVING

✿ AT ITS FINEST ✿

HOMEOWNERS ASSOCIATION

All homeowners at **Madrone Plaza** will be members of the **Homeowners Association**. Monthly association dues of approximately \$300 for Townhomes and \$175 for Single-Family Homes cover the following amenities:



Madrone Plaza's Association will have three resident board members who will be responsible for overseeing the maintenance. A professional management company will assist the HOA.



FOR BOTH TOWNHOMES AND SINGLE-FAMILY HOMES:

Clubhouse • Pool • Bocce Ball Court • Basketball Court
Putting Green • Parks • Playground with BBQ Areas
Maintenance of Pathways and Common Areas
Streets and Street Lighting
Front-Yard and Common Area Landscaping Maintenance



In addition, the fee paid by the **Townhome Owners** will cover:

Building Insurance (does not cover contents) • Exterior Maintenance: Roof and Paint



Single-Family Homeowners will enjoy landscaping in their front yards.



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THE VILLAS



A HOME THAT HAS IT ALL. A PLACE UNLIKE ANY OTHER. A LIFESTYLE THAT'S JUST FOR YOU. WELCOME TO THE VILLAS AT MADRONE PLAZA, A RARE COLLECTION OF LUXURIOUS TOWNHOMES FEATURING THE FINEST INTERIOR APPOINTMENTS FOR A REMARKABLE LIFESTYLE DESIGNED WITH YOU IN MIND. WHETHER YOU'RE INDOORS ENJOYING YOUR WELL-APPOINTED HOME OR OUTDOORS LOUNGING BY THE COMMUNITY SWIMMING POOL, THE VILLAS IS WHAT YOU'VE BEEN LOOKING FOR — AND SO MUCH MORE. IT'S YOUR HOME.

THE VILLAS AT MADRONE PLAZA IS CALLING.

Live in Style

- Richly detailed Craftsman-style exteriors
- Luxury townhomes with efficient use of living space
- Striking HardiePlank™ siding
- Inviting front entry porches or terrace
- Gourmet kitchens with hardwood cabinetry
- Beautiful hand-set ceramic tile in bathrooms, kitchen and entry

- GE® stainless steel appliances
- Distinctive Kohler® plumbing fixtures
- Master bedroom suites with walk-in closets
- Energy-efficient forced-air heating and air-conditioning
- Tankless hot water system
- Future-ready wiring features for phone and TV
- Fire sprinklers
- Finished 2-car garages with opener
- Energy Star® certified
- Gas fireplace in select plans

Community Amenities

- Swimming pool and soothing hot tub
- Basketball court
- Bocce ball court
- Spacious outdoor patio areas
- Putting green
- Tot lot
- Clubhouse
- Interior sidewalks and pedestrian pathways
- HOA maintained landscaping and amenities
- Passive open space areas



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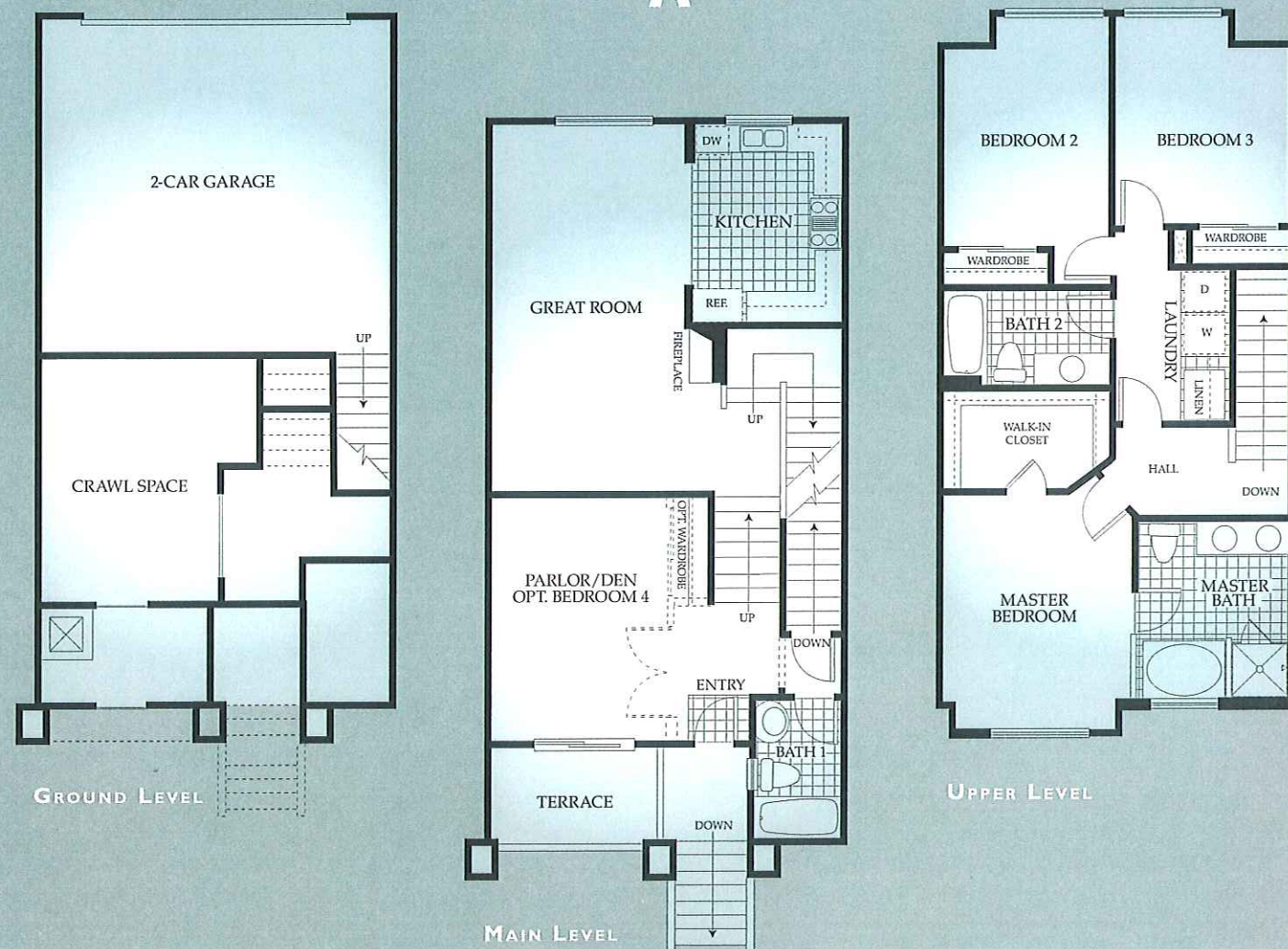
GreenPoint RATED



THE VILLAS

Approximately 1,773 sq. ft. | 3 or 4 Bedrooms | 3 Baths
2-Car Garage | Parlor / Den | Great Room | Covered Terrace

PLAN A



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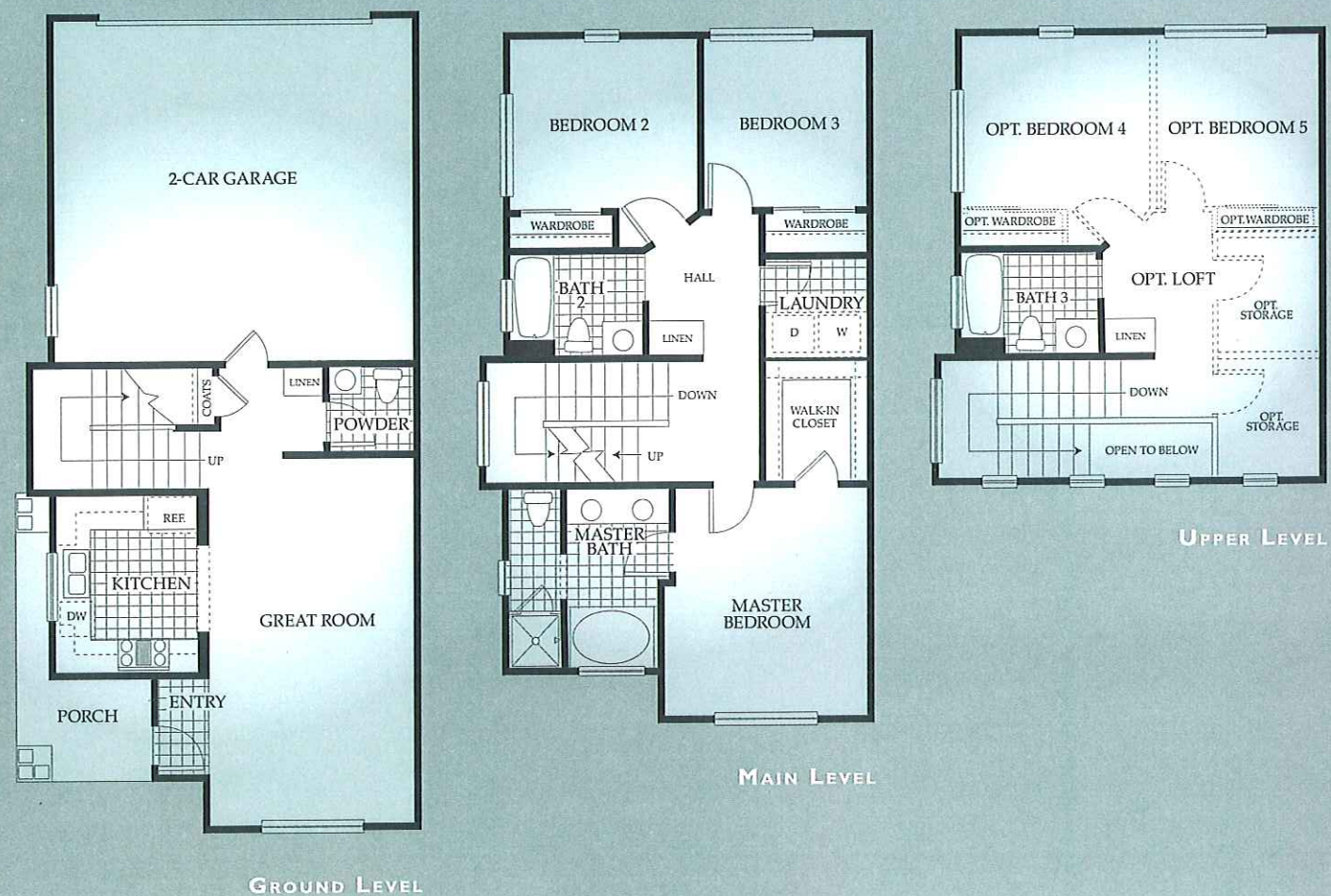
GreenPoint RATED



THE VILLAS

Approximately 1,929 sq. ft. | 4 or 5 Bedrooms | 3.5 Baths
2-Car Garage | Great Room | Opt. Loft | Ground Level Kitchen

PLAN B



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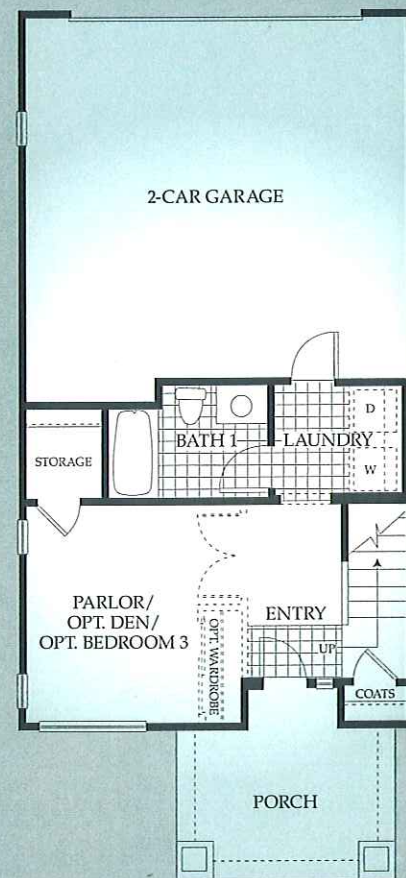
GreenPoint RATED



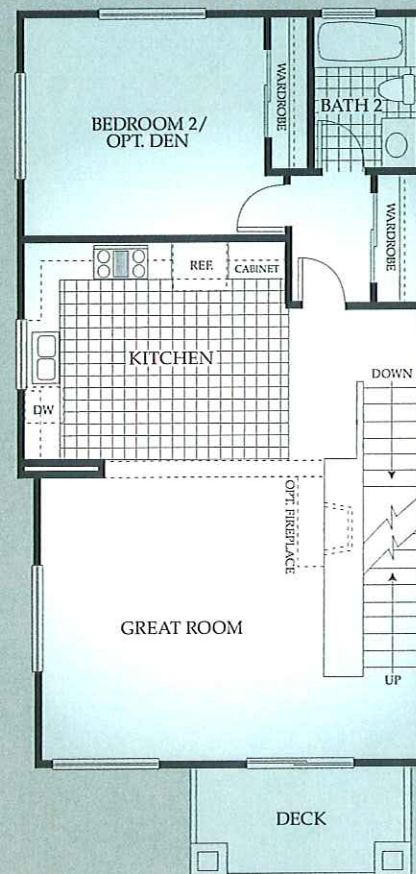
THE VILLAS

Approximately 1,821 sq. ft. | 3 Bedrooms | 3 Baths
2-Car Garage | Great Room | Loft

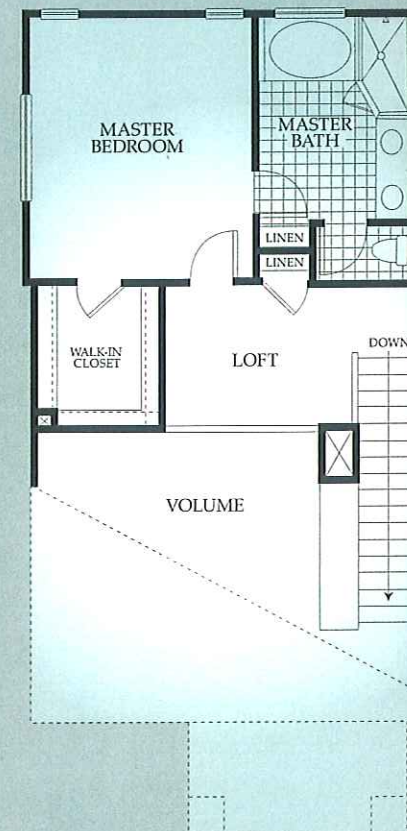
PLAN C



GROUND LEVEL



MAIN LEVEL



UPPER LEVEL



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GreenPoint RATED





Effective July 1, 2008

BELOW MARKET RATE (BMR) UNITS FOR SALE
REVISED UNIT PRICING AND INCOME FIGURES

Below are the sale prices for BMR units.

Lower Income Units		07-01-08
		BMR
		<u>SALES PRICE</u>
Size		
3 Bdrm		\$264,000
4 Bdrm		\$283,500

Median Income Units		BMR
		<u>SALES PRICE</u>
Size		
3 Bdrm		\$335,500
4 Bdrm		\$361,500

Moderate Income Units		BMR
		<u>SALES PRICE</u>
Size		
3 Bdrm		\$407,500
4 Bdrm		\$439,000

TABLE I

# of Persons:	1	2	3	4	5
Lower:	\$37,151 - \$59,400	\$42,451 - \$67,900	\$47,751 - \$76,400	\$53,051 - \$84,900	\$57,301 - \$91,650
Median:	\$59,401 - \$73,900	\$67,901 - \$84,400	\$76,401 - \$95,000	\$84,901 - \$105,500	\$91,651 - \$113,900
Moderate:	\$73,901 - \$88,600	\$84,401 - \$101,300	\$95,001 - \$136,900	\$105,501 - \$126,600	\$113,901 - \$136,700

NOTICE: THIS BMR PRICE LIST MAY BE REVISED WITHOUT PRIOR NOTICE